

LOCAL GOVERNMENT AND FINANCE IN MINNESOTA

WILLIAM ANDERSON

PROFESSOR OF POLITICAL SCIENCE
UNIVERSITY OF MINNESOTA

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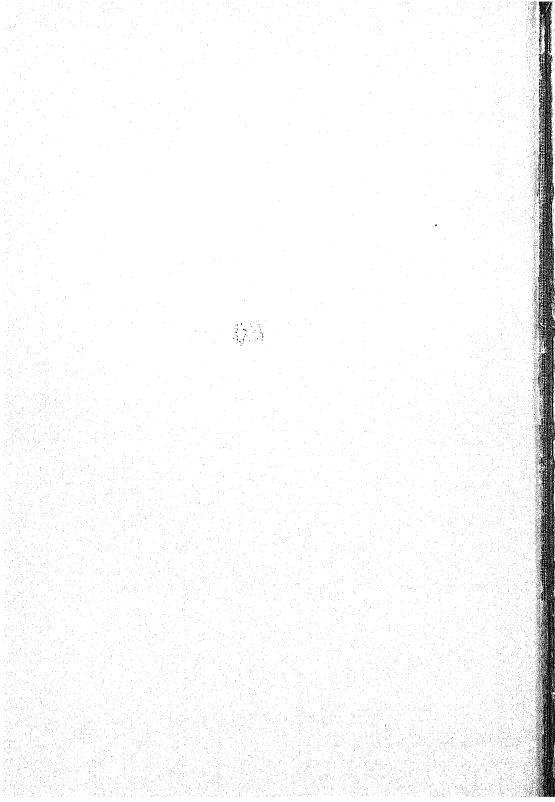


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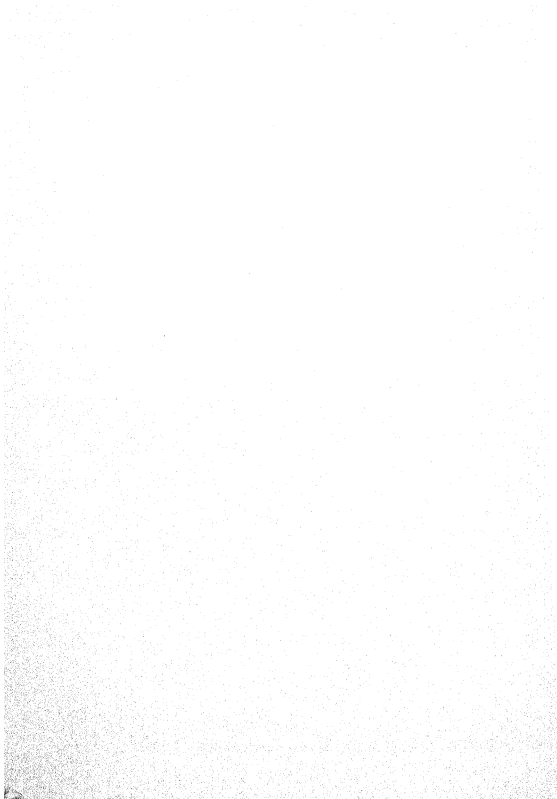


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*Dedicated with respect to that great majority of
the local officers in Minnesota who, though often
subjected to unjust criticism, labor with honesty,
intelligence, and devotion to give their communities
the best public service that conditions
will permit.*



PREFACE

For many years it has been the privilege of scholars at the University of Minnesota to serve the state by means of their investigations and reports upon the problems faced by state and local governments. This tradition goes back to President William Watts Folwell, who first as president of the University and later as professor of political science did much to assist in the drafting and promotion of enlightened legislation on such subjects as education, public health, parks, and recreation. His successors have endeavored to follow in his footsteps by carrying on such researches and preparing such reports as would be helpful to legislators and other public authorities, and thus ultimately beneficial to all citizens. Most of this work has been done without compensation, without ulterior motive, and without even any relief from normal teaching duties.

Study of the special problem of local government became a definite function of the University when it established the Municipal Reference Bureau in the General Extension Division in 1913. This bureau, at very little expense, has gathered into its library all the latest information on the problems of municipal administration, and throughout the years has consulted with municipal officers concerning their official difficulties whenever so requested. Also in 1913 was organized the League of Minnesota Municipalities, outside of the University and representing all cities and villages of the state, which from the first has cooperated with the Municipal Reference Bureau in the study of municipal problems and the dissemination of information about them. Together these agencies publish *Minnesota Municipalities*, a monthly periodical devoted to municipal questions, which has attained first rank among publications of its kind throughout the country. In addition the two have cooperated in issuing a very valuable series of pamphlets and model ordinances and the *Minnesota Year Book*, now in its fifth year.

From 1919 to 1933 the University also gave support to the Bureau for Research in Government in the Department of Political Science. This bureau was organized to carry on researches of a more extensive type than could be handled by the Municipal

Reference Bureau and also to study problems falling outside the municipal field. Because of its very small budget this bureau maintained very close working relations with the Municipal Reference Bureau. The two agencies shared offices, libraries, and to some extent clerical services. Partly as a result of these economies it was possible for the Bureau for Research in Government to produce a series of very useful studies on state and local problems. For financial reasons this bureau was discontinued, at least temporarily, in 1933. The present study may be considered to be the final publication of the first period of its existence.

It is the purpose of this study to lay before the people of Minnesota the principal elements of their problems of local government and finance, and the major facts pertaining to those problems. Facts are not enough, however; they call for interpretation. Hence it is that the author, having himself carefully studied the materials, feels that he owes it to his readers to give also his own reasoned views as to needed improvements. These will be found especially in the last chapter. The views there expressed, though they have been discussed with many persons, are those of the author alone. Neither the University nor any public official nor any party or group is in any way responsible.

Most of the money which made this study possible was provided by the Fluid Research Fund of the University. A part came also from a grant in aid made by the Social Science Research Council. Acknowledgment of this support is hereby made.

Thanks are due numerous state and local officials for their generosity in supplying much of the information used in this volume. The assistants employed for the compilation of the data included Mr. William Verhage, Mr. Asher N. Christensen, and Miss Myrtle Eklund, of whom Miss Eklund gave the longest and most continuous service to the project. Thanks are herewith extended to all three.

WILLIAM ANDERSON

University of Minnesota
August, 1935

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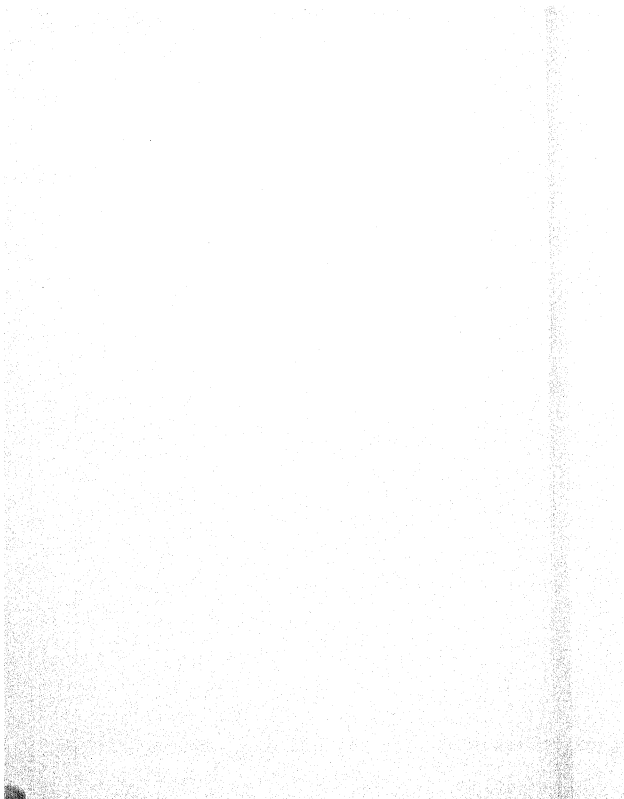
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PART I

THE STRUCTURE OF LOCAL GOVERNMENT



CHAPTER I

THE PROBLEM OF LOCAL GOVERNMENT IN MINNESOTA

A system of local government, or at least of local administration of public services, exists in every modern state. Everywhere one finds some larger unit, called the state or the nation, for dealing with certain large problems of government, such as defense, foreign affairs, and the regulation of commerce and industry over large areas; and everywhere one finds also a system of local units for the detailed administration of those public functions which must reach into every community.

The necessity for some division of labor between central and local authorities is everywhere recognized. From an administrative point of view, it would be simply impossible to have all the business of government in the United States handled from one center, such as Washington. The congestion at that center is already very serious. It would become unbearable if all state and local functions were concentrated there as well. If every project for street repairs in Minneapolis, for changing the school term in Denver, or appointing a new policeman in Atlanta had to go to Washington for investigation and approval, most public functions would come to an almost complete halt. One could hardly conceive of enough railroad and bus lines, telephone and telegraph wires, and train loads of mail entering and leaving Washington to take care of all the communications needed to satisfy local needs. In fact, outside of a few small states like Rhode Island and Delaware, one can scarcely picture the complete concentration of all state and local functions even at the state capital. In Minnesota, with its two and a half million people scattered over eighty thousand square miles of land, such centralization would be all but impossible.

Nor will the solution be found in the reduction of state and local functions. We are in a period of expanding governmental activity. To maintain existing standards of living, and to advance to higher levels, the people have found the main public services, such as education, highways, health protection, and law enforcement, indispensable. The public services constitute, indeed, one of

the best indexes of the standard of civilization a people has attained. Find a country in which the public services are few and poor and unimportant, and you find as a rule a country on a low plane of civilization. The very word "civilization" implies an advanced growth of the "civic" spirit and the public services. And interestingly enough, most of the civilizing public services are those that are administered locally, by local government units.

LOCAL SELF-GOVERNMENT VERSUS CENTRALIZATION

As we look about the world, however, we find that even among civilized nations views differ as to the scope and freedom to be granted to local government. At the one extreme stand certain European dictatorships, in which the central government has drawn to itself almost complete domination over all local affairs. Local election of the responsible local officials has been almost if not quite abolished, and with its abolition has gone any thought that the officials are truly responsible to the local residents.

Less extreme is the situation in France and certain other countries, where, though the balance swings strongly toward centralized control, local elections are retained and a considerable freedom is given to local governments in the handling of some of their local problems. Great Britain comes next. In that country local self-government is the general rule, but certain departments of the central government have important powers of supervision and even of control over the local authorities. The British have also gone farther than most other peoples in recent years in the reorganization of local government, in the practical elimination of small and weak units, and in the coordination of the work of both local and central governments.

Very nearly at the other extreme stands the United States. Here a long tradition of personal liberty and local self-government, reinforced by a great deal of pioneering experience, has resulted in the doctrine of local self-government becoming ingrained in large sections of our population. Local self-government, or the practice of having local public affairs managed by locally elected officials, with but little interference from the central government, is a basic American political principle. It yields little, and that very slowly, to the new demands which have come in recent decades as a result of fundamental changes in our social and economic conditions.

The arguments for a system of local self-government have been well stated by many eminent writers in modern times. A hundred

years ago Alexis de Tocqueville, a keen French student and critic of American institutions, wrote that

Local assemblies of citizens constitute the strength of free nations. Town meetings are to liberty what primary schools are to science; they bring it within the people's reach, they teach men how to use and how to enjoy it. A nation may establish a system of free government, but without the spirit of municipal institutions it cannot have the spirit of liberty.¹

This statement undoubtedly expressed the view of many liberal minds of the time. Jefferson, who had died but a few years before, and Jackson and his followers would have fully subscribed to these words. Like De Tocqueville these men looked upon local government as important not primarily for any particular services it renders to the people, but for its general value in the training of citizens. Several members of Minnesota's constitutional convention of 1857 expressed very similar views. Indeed this theory was then so generally accepted that it seemed of little use to discuss it.

Within our own time James Bryce has expressed very similar ideas. Writing in his *Modern Democracies*, about 1920, he said that local self-government

creates among the citizens a sense of their common interest in common affairs, and of their individual as well as common duty to take care that those affairs are efficiently and honestly administered. . . . Whoever learns to be public spirited, active and upright in the affairs of the village has learnt the first lesson of the duty incumbent on a citizen of a great country.

And again:

Local institutions train men not only to work for others but also to work effectively with others. They develop common sense, reasonableness, judgment, sociability. Those who have to bring their minds together learn the need for concession and compromise. . . . Two useful habits are formed, that of recognizing the worth of knowledge and tact in public affairs and that of judging men by performance rather than by professions or promises.²

Such is the classic argument for local self-government. Its validity in the United States throughout much of the nineteenth century can hardly be doubted. It was expounded by men who were imbued with a democratic faith, and who well understood the needs of the people in their own time. It seems, however, that they did not see clearly the great changes that were soon to come,

¹ Alexis de Tocqueville, *Democracy in America*, translated by Henry Reeve (1904), 1:49.

² 1: 191-92 (1921).

and to some extent had already come in American life. These changes need only to be sketched to be appreciated.

Tremendous advances in transportation and communication, the coming of the automobile and rural free delivery, the spread of common school education, the sudden rise of the public high school, and the application of science to all the arts, industry, and agriculture led to a rising standard of living which brought with it unceasing demands for new services from local government. At the same time, many of the old units or areas were rapidly becoming obsolete, while partisan political methods of administration made difficult if not impossible the satisfactory improvement of the public services to meet the new requirements. The concentration of most of the population and wealth of the nation in the cities, and the corresponding decline in many rural districts, made some units capable of maintaining local services at a much higher than average level, while many rural areas and declining villages fell far below that standard.

These conditions were already chronic almost everywhere in the country even in the boom years of the 1920's. The inefficiency of many local units, the inability of many to raise the revenue needed to maintain local services at decent standards, the rising tide of local expenditures and debt, and the increasing demands for state and national aid to local units antedated the great depression by many years.

The crisis in local government was already developing when the depression suddenly brought it to our doors in a most acute form. Local governments, like national governments and the whole world of business, were caught in a torrent of forces which they had not willed and could not control. The collapse brought the most severe agricultural depression in recent memory. Industry and business declined to an unbelievably low point. Tax collections fell off tremendously. At the same time unemployment increased greatly and the demands for public relief reached levels never before known in American history.

Governments in their policies nearly always reflect current business conditions and philosophies. Local authorities had done during the boom years after the war only what had been expected of them. They had expanded their school facilities, improved and extended their pavements and utilities, developed their parks and playgrounds, and erected many fine buildings, all because the communities desired these things. They had borrowed for most of these

facilities because the taxpayers, both businessmen and workers, had desired a postponement of tax burdens. Local debts had reached new high levels when the collapse came. No doubt some of the debts were due simply to bad management and unwise policies, but it is too late to do anything about that now.

In any case, many local communities, including a few in Minnesota, were virtually bankrupt when the depression reached bottom. Taxable values and the ability to pay taxes were so low as to make the repayment of the local debts very doubtful, if not impossible. State and national aid were again demanded, and compromises with creditors were numerous.

The simple fact is that the whole system of local government suffered a serious breakdown. The breakdown was not merely financial; to a large extent it was moral and organic as well. Most local units, it is true, continued to function after a fashion, to "muddle through," but the old confidence, the old standards of service, poor as they had been in many places, had gone. The time had definitely come for a reappraisal of local government, and for rational efforts to reconstruct and strengthen it to meet the requirements of the present age. It is to such an appraisal of the situation in Minnesota that the present volume is devoted.

This appraisal is the more certainly needed, since the attacks now being made upon local government may result in action of a drastic and irremediable nature. Many proposals now being put forward involve the sweeping away of institutions that have taken decades or even centuries to develop—institutions that have become a part of the very life and thought of the people. Sound and unsound, these proposals need to be examined with courage and with care, so that the unsound may be culled out and the good be made better. Causes need to be searched out, and appropriate remedies suggested. To these ends this study may make some helpful contributions.

CONCERNING POINTS OF VIEW

Local government may be viewed from many angles, of which the following three are suggested as most important.

1. *The public service point of view.*—We may study local government as a system for providing public services. From this point of view we do not especially see the expense involved or other incidental effects of the system. We set up a standard of desirable services in education, health, police, roads, and other fields, and consider

the adequacy of all local units for the provision of services. Service is the objective at which we aim, and we ignore all other things, even the expense.

2. *Education in self-government.*—As stated above, many persons have viewed local government as most important for its indirect utility. Local institutions are described as the school for the training of citizens, the cradle of democracy and of national self-government. What men learn to do well in small places, they later do as well or better in the state or national government. Whatever mistakes of unwise financing and poor service may be made in the locality, the losses are as nothing compared with the great gain in training for responsible citizenship.

3. *The fiscal point of view.*—In the present feverish excitement over the tax problem, many persons are forgetting the other two viewpoints and are adopting almost exclusively a third, namely, how much does it cost? This may be called the fiscal point of view. It looks toward means, not ends, and studies local government as a mere raiser and spender of money. It tends to overlook the value of local services and of the training in popular government that local government affords. It uses the financial yardstick as the sole measure of local government.

Any one of these three points of view taken alone includes a large element of bias. A complete survey of the situation would require that we study the problem calmly and deliberately from every vantage point. Such is the presentation that we shall try to make; but the third or fiscal point of view will occupy more of our time and space than any other. We consider this unavoidable and perhaps desirable. The present difficulties of local government are in large part financial, and it is in the solution of financial problems that many readers will be most interested. The subject of local financial reform is, therefore, a timely one; but in saying this we do not admit that in the long run the financial is the most important angle of the local problem. Ends are never less important than means.

THE IMPORTANCE OF LOCAL GOVERNMENT

The citizen who is aware of the great movements of his time can have no doubts of the importance of the study of local government. Government at all levels has in our day become a great purveyor of public services, and as such has established a hundred intimate contacts with the individual and the home that but a

short time ago were unknown. Very few of us are fully aware of the revolutionary change which in our times has established among us "the public service state" and our daily dependence upon it. Once it is brought to our attention, however, we see and admit it, and also readily concede that it is local government, par excellence, which has woven itself into the web of our social life. The schools, the roads, the welfare work, and the countless other services it renders we have come to take entirely for granted. Local government in our time has combined the functions of the chore boy and the maid-of-all work with other and higher duties. It performs important tasks for us in preserving our health, educating us and our children, preserving peace and order, and promoting our moral welfare and convenience. If it falls into bad ways and evil repute, we can no longer ignore its sins and lapses. The moral standards maintained by local government affect the moral tone of our whole common life. We could forgive the occasional wasting of our substance far more easily if we did not suspect that much more than our purse was being affected.

THE UNITY OF THE SYSTEM OF LOCAL GOVERNMENT

However important it may be, and from whatever point of view we approach it, the system of local government must be considered as a whole, and not as a series of separate parts. We cannot deal with counties and ignore cities, or with towns and neglect school districts. As purveyors of local services they cooperate in many ways. As training schools in democracy they have a combined and cumulative effect. Their unity of interests as raisers of money is revealed on the back of any tax bill, and as spenders of money they support very largely the same essential services.

If we take the situation from the point of view of any typical citizen we again see the unity of the system. For each resident of Minnesota, whether a farmer or a dweller in a city or village, there are three levels of local government, well cemented together. Each citizen is concerned with a county government, with a town, city, or village government, and with a school government. This three-level system prevails throughout the state except in "unorganized areas" in certain northern counties, and on Indian or military reservations. In such exceptional areas the county may provide practically the only local government.

But even this description is not complete. One more element must be added and that is the state government itself. Reaching

down into all levels, and to the citizen himself, controlling all types of units, joining with them in the performance of local services, and raising money largely from the same taxpayers, the state appears as an integral and integrating factor in the local system. It is, in a real sense, *the* local government of Minnesota, and the counties, cities, towns, and the rest are only its more localized agents. Graphically presented, our system of local government is really a four-level system.

DEFINITIONS OF CERTAIN TERMS

Most of the terms used throughout this report are familiar to informed readers. The following glossary may be omitted by such readers, or used only for reference.

Borough. See *Village*.

City. This term is used only in its legal sense, as signifying a municipal corporation, usually possessing its own charter, and designated as a city by law or charter.

County. This term refers to any of the eighty-seven major territorial divisions of the state each having its own government. The old distinction between merely "established" and "established and organized" counties is no longer important.

Incorporated places. This term is used interchangeably with "municipalities" to designate cities, villages, and boroughs. It is not used to designate counties, towns, or school districts.

Municipalities. See *Incorporated places*.

School district. While there are several legal types of school districts, the term as here used embraces all types of units engaged in providing and administering primary or secondary schools, or both. "Common," "independent," and "special" are legal terms for the principal types of school districts, but in addition there are "consolidated," "ten or more townships," "unorganized" county districts, and regular "county districts." These classes overlap to some extent.

Town. Wherever the word "town" is used in this report it signifies the legal town, i. e., the legally organized township or fractional township, having its own government. It is not used in the sense of "city," or "village," or urban community. It is essentially a rural unit.

Township. The "township" is merely an area, laid out by government survey, six miles square. It is not organized for local government. Hence it is sometimes called an "unorganized town."

"Fractional townships" are areas of less than thirty-six square miles.

Urban place. According to the terminology of the Census Bureau, any city or village having twenty-five hundred inhabitants or more is an urban place.

Urban population refers to the population of "urban places," as defined above.

Village. This term also is used only in its legal sense. It signifies a municipal corporation, organized under a general or special law, which may be called its charter, and which describes places organized under it as "villages." Except when otherwise stated, "village" or "villages" will be understood to include "borough," since Belle Plaine, the one borough left in Minnesota, is for all practical purposes a village.

CHAPTER II

THE DEVELOPMENT OF LOCAL UNITS

The functions of local government and administration are carried on everywhere by a number of different agencies — councils, boards, departments, officers, and employees. These serve their respective areas and peoples in a variety of ways, and are interrelated at many points. The whole picture is very confusing, but it can be simplified somewhat if we think of each agency and each individual public servant as connected with a particular unit of local government. We can then make a preliminary analysis by describing, counting, and classifying the operating units. Later their interconnections can be more fully described. In Minnesota the units to be considered are those classified and enumerated in Table 1.

WHAT IS A UNIT OF GOVERNMENT?

The question may be asked why the entities enumerated in Table 1 are classed as units, and not others, such as drainage districts, county commissioner districts, park boards, and a number of others. The following definition arose out of an effort recently made to find the number of governmental units now existing in the United States as a whole.¹ In addition to (1) having an area and (2) a resident population, the following characteristics seemed essential:

3. The unit should have its own separate continuing governmental organization, either a board or a council, or in some cases even a single elective or appointive officer.

4. This governing body should have the power year after year to provide some governmental or quasi-governmental service, on its own responsibility and subject to its own control.

5. This governing body should be independent of other local governments, not merely a board handling some function of government on behalf of, or as a department of, another local corporation. For example, in Minnesota many cities and villages have park boards, library boards, water and light boards, etc., organized under

¹ See William Anderson, *The Units of Government in the United States* (Public Administration Service, Chicago, 1934).

the general statutes, but since these are mere departments of the city or village government concerned, they would not be called separate units of local government.

6. The area covered by a unit of local government may or may not coincide with the area of some other local government. If the areas coincide, the test should be that stated above, namely, that the corporate existence is separate for the two or more occupying the same area. There can be separate public corporations in the same area, of course, if they are organized for different purposes.

7. Among the powers necessary for any unit of local government, the power to raise a revenue by taxation, or by special assess-

TABLE 1.—NUMBER OF UNITS OF GOVERNMENT IN MINNESOTA, 1930 AND 1934 *

| TYPE OF UNIT | 1930 | 1934 |
|------------------------|--------|---------|
| The state | 1 | 1 |
| Counties | 87 | 87 |
| Cities | 94 | 95 |
| Villages | 634 | 637 |
| Towns | 1,973 | 1,929 |
| School districts | 7,773 | 7,721 |
| Total | 10,562 | 10,470† |

* The figures for 1930 are used in most cases hereafter, since population figures are available for the same year.

† The Minneapolis-St. Paul Sanitary District should perhaps be counted as an additional unit in 1934. It is the first effective example of a new type of unit in Minnesota—the metropolitan district.

ment, or by fixing rates for service rendered must be considered one of the most important. When other tests fail, this test of the power to raise a revenue may decide the case.

Summarizing this longer definition, we may say that a unit, to be recognized as such, must have

1. A defined land area, large or small.
2. A resident population, large or small.
3. A continuing governmental organization.
4. The power to provide some governmental or quasi-governmental service.
5. Autonomy in the handling of its own affairs.
6. Corporate or quasi-corporate legal status, and a corporate name.
7. Power to raise a revenue in some way for its purposes.

ENTITIES WHICH ARE NOT UNITS

On the basis of this definition we have excluded from the enumeration of units in Minnesota, (1) certain areas into which the state is divided for judicial, administrative, and electoral purposes, but which do not have organs or powers of self-government; (2) certain boards, commissions, and similar agencies that are so closely attached to the city, village, or county government they serve that they appear to be departments thereof rather than separate units of government; and (3) certain joint authorities similar to boards but serving several units. These areas, boards, commissions, and joint authorities are so important for the understanding of the whole system of local government in the state, however, that tables of them are presented in Appendixes I, II, and III of this volume, and reference is made to them at several points in the text. They must be considered as essential parts of the machinery of local administration though not as independent units.²

THE FIRST LOCAL UNITS IN MINNESOTA³

During the territorial period of Minnesota's history (1849-58) were sown the seeds which took root and grew into the present profusion of local authorities in the state. At its first session (1849), the territorial legislative assembly established nine counties, authorized the creation of school districts, and incorporated "The Town of St. Paul." Five years later St. Paul was reincorporated as a city, the first corporation of that title in Minnesota. The number of so-called "incorporated towns" increased rapidly, but the "town" as we know it today—the organized rural area six miles square—did not appear as a unit of local government until statehood was achieved in 1858. "Incorporated towns," many of which were mere townsite and real estate speculations without resident populations, increased to 162, but soon afterwards began to decline and are now out of existence and not recognized in the laws. Their place as units of government for small urban settlements was taken by "villages," of which the first, Mankato, was incorporated in 1865. A few "boroughs" were also incorporated, beginning with St. Peter in 1865, but this type is represented today only by Belle

² See the second footnote to Table 1 and pages 307, 315-16 below for the Minneapolis-St. Paul Sanitary District.

³ See the laws of the territorial period and the first decade of the state's history; also the first chapter of William Anderson, *City Charter Making in Minnesota* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 1, 1922).

Plaine, which for convenience will be considered hereafter as if it were a village.

In providing for these several types and classes of local units, the legislators of Minnesota were merely copying a system of local government which had developed in New York and Pennsylvania and had spread westward in the area north of the Ohio River until it reached and crossed the Mississippi. In New England and in the southern states different and much simpler systems were the rule.

Thus between 1849 and 1865 the leading types of local government units now known in the state—counties, cities, villages, towns, and school districts—had made their bows upon the stage. The roles they have played, and have yet to play, in the life and government of Minnesota, will constitute the theme of the rest of this book. To understand them, however, we need first to consider how these units have increased in numbers and changed in size and importance. These things, in turn, cannot be understood independently of the changes in the population of the state.

HOW LOCAL UNITS WERE CREATED

Having authorized a few representative specimens of each major type of local unit by 1865, the legislature left the creation of additional ones almost entirely to local initiative. That is to say, whether there should be additional counties, towns, school districts, villages, and cities, and whether one or another type of organization (town, village, or city, for example) should be created in a particular place, was not for the legislature but for the local inhabitants to decide. With respect to counties, cities, and villages, the legislature merely gave its approval by local or special law after the local leaders in a place had drawn up and presented a bill for an act to create one. Towns and school districts, on the other hand, were usually organized under general law by the local county board, upon petition from the voters in the area concerned. There is little or no evidence that either the legislature or the county boards exercised restraining power of any consequence upon the petitioners. Whether there should be new local units was a matter for the local people to decide. It did not concern the rest of the state or county.

The laws, in fact, put very few limits upon local initiative in the organization of local units. By constitutional provision no new county was to have less than four hundred square miles of territory.⁴ By statutory provision the congressional township of thirty-

⁴ Constitution of Minnesota, Article XI, Section 1.

six square miles was suggested as the minimum size of town, but fractional townships could also organize separately, or they could, by local agreement, be combined with others.⁵ Minimum population limits were also established in some cases. For towns the minimum in recent years has been 25 legal voters.⁶ For villages the minimum was 300 inhabitants under the laws of 1885. This was reduced to 175 in 1887 and to 140 in 1903, increased to 200 in 1905, and reduced to 100 in 1919. This figure could be halved if the village were on a state boundary.⁷ For school districts the minimum size in rural areas has for some years been four sections of land and a resident population of twelve children of school age.⁸

These minimum limits are obviously very low. It is true, also, that a town, village, or school district, once organized, may decline greatly in population or be reduced in area by the detachment of some of its land and still remain organized. Thus it happens that there were in 1930 several villages and many towns of fewer than fifty inhabitants, as well as a great many school districts of even scantier population.

Within these broad and flexible limits, the local inhabitants practically made their own local units. The problem for every new settlement in a period of rapid growth was to get its own local services established—a school, roads, and a town hall or a village center. Each planned for itself alone, as it practically had to do; and considering the dynamic and unsettled conditions of the times, the work was probably fairly well done.

The motives that led to the creation and multiplication of local units are recorded in the history of every state. As to counties, the rivalry of different villages and cities striving to become county seats in any area, coupled with the demand when roads were poor to have a county seat within easy driving distance, helped to determine not only that counties should be numerous and fairly small, but also what particular boundaries each should have. Ambitious real estate promoters laid out many townsites along highways and railroads, or even at points where they hoped such transportation facilities would be located. On these sites little groups of residences and shops sprang up, and presently a village was incorporated to provide certain local services. Village incorporation did not always

⁵ Mason's Minnesota Statutes, Section 789.

⁶ *Ibid.*, Section 787.

⁷ *Ibid.*, Section 1111. See also Harvey Walker, *Village Laws and Government in Minnesota* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 6, The University of Minnesota Press, 1927), pp. 64, 128.

⁸ Mason's Minnesota Statutes, Section 2743.

mean separation from the town, however; but when the farmers in the town outside did not wish to pay taxes to provide streets and support the poor in the village, or the villagers did not wish to see their taxes used to maintain the roads outside while their own streets were neglected, or when the villagers wanted to license saloons while the outside voters wanted to exclude saloons from the whole town, there would be a vote for separation. The village of perhaps only one or two hundred inhabitants and the town of possibly equally small population would become entirely separate units. Petty jealousies and differences of opinion of an even more parochial nature, coupled with the desire for schools nearer at hand and for purely local control of each school, led to frequent divisions in school districts and the multiplication of their numbers.⁹ Such divisive tendencies were especially strong in the individualistic days of the pioneers, and they continued to be potent in rural districts down into our own time.

All through the long period of division and redivision among local units, the state itself really never planned the system of local units. It assumed that the right of local self-government meant not only the right of the local voters to govern themselves within their several units, but also the right to decide what those units should be, and how many and how large or small. The legislature did, at a late date, authorize school district consolidation, but even this was left to local initiative, without any state plan or guidance. It is not surprising, therefore, that the number of local units increased tremendously, and that movements for larger units made little headway.

INCREASING NUMBER OF UNITS, 1849-1930

From the simple beginnings of one "incorporated town," nine counties "established" but not all organized, and school districts merely authorized in 1849, the number of local units in Minnesota increased to 10,534 in 1910 and 10,691 in 1920, which seems to have been about the peak year, then receded slightly to 10,561 in 1930. Thus for a generation the total number of local units has varied by only about one per cent. Figure 1 shows the curves for population growth and for the increase of local units of different types.

The more rural types of units (counties, towns, and school districts) at first increased in numbers more rapidly than the popula-

⁹ See the discussion in the Annual Report of the Superintendent of Public Instruction, 1898, pp. 13-15.

tion of the state. Counties were first to decline in rate of increase, then towns, then school districts. In the meantime cities and villages were slow to multiply; the unfortunate experiences with "incorporated towns" just before the Civil War, and the effects of that struggle, apparently influenced the people to delay in forming such

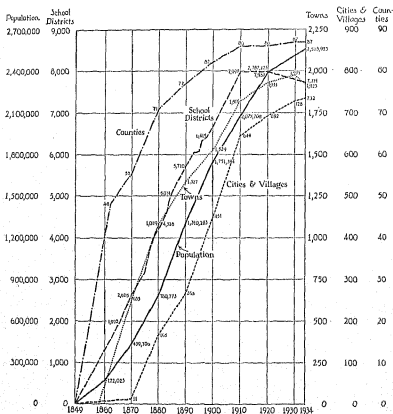


FIGURE 1.—INCREASE IN POPULATION AND IN NUMBERS OF LOCAL UNITS IN MINNESOTA, 1840-1934

municipalities. Of course cities and villages would in any case be slower to organize than the rural units in a pioneering and agricultural period. Soon, however, they began to make up for the slowness of their start. Their rate of increase was well maintained right down to 1910; in fact, the years 1900-10 saw more cities and villages incorporated than any other decade.

After 1910 school districts began to decrease in numbers, mainly because of consolidations and because little new territory was being

opened up to settlement. The northern counties, then being developed for agriculture, for various reasons never established so many small common school districts as the southern ones.

The other local units showed a much reduced rate of increase after 1910, but did not show an actual decline in number as the school districts did. They more than made up for the reduced number of school districts, and 1920 became the peak year for all units combined. From 1920 to 1930 there was still some increase in non-school units. One county (Lake of the Woods), forty towns, and thirty-six cities and villages were organized in that decade.

Since 1930 there has been another slight decrease in the total number of units. Besides school districts, towns have actually decreased in numbers, because of dissolutions in Lake of the Woods and other northern counties.

In a general way the numbers of local units have increased with the increases in population, and fallen off in rate of increase with a slowing down of population growth. Today three factors are retarding the further multiplication of local units. First, the entire area of really desirable farm land has already been settled, and has been organized for local government. Second, population has itself ceased to increase at the old rates and is rapidly nearing a stationary condition. Third, many citizens have come to believe that there are already too many units, and are not only setting themselves against further increases but favoring reductions.

As shown above, Minnesota has now reached a definite turning point with respect to the number of local units. Instead of large decennial increases we now see small decreases. The question is whether the curve is now going to turn definitely downward or whether it has reached a sort of high plateau and will continue at about the same level for some time.

RECENT AND PROBABLE FUTURE POPULATION TRENDS

In order to come to some reasonable conclusions upon this question, we need to consider population tendencies. On April 1, 1930, the population of Minnesota is reported to have been 2,563,953. This represented an increase over 1920 of 7.4 per cent, or 176,828 people, which was the smallest increase in any decade since before the Civil War, both in total amount and in terms of ratios or percentages. In comparative terms it was less than half of the national rate of increase (7.4 per cent against 16.1 per cent) and less than half of the state's own rate of increase from 1910 to 1920 (15.0 per

cent). For two decades now, Minnesota has fallen behind the national rate of increase and her own former rates of increase. These facts are shown in part in Figure 2.

What is the outlook for further population increase in Minnesota in the next decade or two? No one is in position to make an accurate prediction. Even the Bureau of the Census does not at-

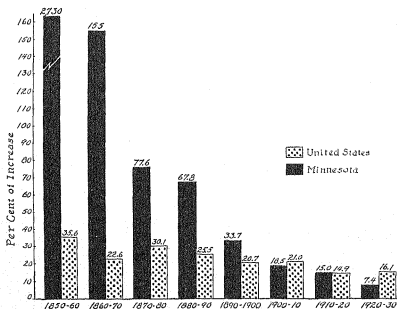


FIGURE 2.—RATES OF POPULATION INCREASES IN MINNESOTA AND IN THE UNITED STATES, 1840-1930

tempt it. Nevertheless, some facts are known which may guide us to fairly reliable estimates.¹⁰

1. The national population is increasing, but at a slower rate than ever before. An official estimate covering the year ending June 30, 1931, gave an increase of only 7.1 per cent, or less than half the previous decennial rate. For the succeeding year the rate of increase declined to 6.0 per cent. Should this declining tendency continue through the decade, the census of 1940 will record the smallest ratio of increase in our history.

2. The general factors which are slowing up the increase of population nationally are operating in Minnesota also. These include a marked reduction in both the birth rate and the immigra-

¹⁰ See also *Land Utilization in Minnesota: A State Program for the Cut-Over Lands* (The University of Minnesota Press, 1934), pp. 74-97.

tion rate. The declining death rate has only a small effect in the opposite direction. In addition, migration from Minnesota was so large in the decade 1920-30 that even the natural increase due to excess of births over deaths did not remain in the state.

3. Minnesota, being largely an agricultural state, suffers also from the agricultural depression and the progressive abandonment of the poorer farms. On the better farms, improved methods of production and the increased use of new labor-saving machinery make it possible to maintain production with fewer and fewer farm workers. On the Iron Range, also, the introduction of labor-saving machinery is reducing the demand for labor.

4. While population has declined on the farms and in the mining districts, even the cities of Minnesota have not kept up with the average national rate of increase. Minneapolis was about average in its increase in the years 1920-30, and Rochester, St. Cloud, and a few smaller cities somewhat above average. St. Paul and Duluth, on the other hand, were below average in their increases, as were most of the cities of Minnesota, and some suffered absolute decreases. The fact is that our cities, large and small, are engaged mainly in manufacturing for the farming population, in buying from it and selling to it, and in serving it with transportation, banking facilities, and other services. Since the whole central north-western region (Montana, the Dakotas, Iowa, Minnesota, and Wisconsin) has suffered from the agricultural distress, the growth of our cities has naturally been retarded.

5. If we now sum up the nation-wide and the more localized causes for the slowing up of our population increase, and add to these the known fact that neither in 1910-20 nor in 1920-30 did Minnesota's population increase as fast as the nation's, we may safely conclude that in 1930-40 the state's rate of increase will be even smaller than before. If we estimate about a 4 per cent increase, or about 100,000 for the current decade (1930-40), we shall probably not be far from the facts. Furthermore, if no unforeseen factors arise to upset our calculations, the next decade (1940-50) may see an even smaller increase. But that is too far ahead to predict. All we can say now is that it is unwise not to face the facts as to present trends in population figures.

INTERNAL DISTRIBUTION OF POPULATION INCREASES

Suppose we assume that Minnesota's population will increase by 100,000 during the present decade (1930-40). Into what sec-

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tions of the state will this increase go, and what units of local government will be affected? Is it likely that more local units will be required to care for it?

For convenience in analysis, the population of Minnesota in 1930 may be divided as follows:

| | |
|---|--------------------------|
| 1. 3 large cities (Minneapolis, St. Paul, Duluth) | 837,425 or 32.6 per cent |
| 2a. 70 cities and villages of from 2,500 to 25,000 population each..... | 420,191 |
| 2b. 655 cities and villages of under 2,500 population each | 340,347 |
| Total | 760,538 or 29.6 per cent |
| 3. All unincorporated territory, including the 1,973 towns..... | 965,990 or 37.6 per cent |
| Grand total..... | 2,563,953 |

From this it will be seen that the population of strictly rural territory is now less than 38 per cent of the total population of the state, and that the inhabitants of incorporated cities and villages account for over 62 per cent. This is an important fact for purposes of local government, as the following tabulation in part reveals:

| | |
|--|--------------------------------|
| 837,425 people maintain 3 city governments and 2 school governments ¹¹ | Total, 5 governments |
| 760,538 people maintain 725 city and village governments, and maintain or help maintain about 854 school governments..... | Total, 1, 579 governments |
| 965,990 people maintain 1,973 town governments, about 6,901 school governments, and help maintain about 100 other school governments | Total, about 8,974 governments |

County governments are not included in this calculation. It will be noted that each double government (municipal and school) in the first group represents on the average 279,142 people; in the second group each represents about 962 people; and in the third group each represents about 215 people. Although these averages are somewhat misleading, the striking differences in size between large city, small city and village, and strictly rural governments require no emphasis. Even the problem of county government varies materially with the population factor.

How are these several groups of communities being affected by population trends?

¹¹ The administration of the schools in St. Paul is under the city council and is a part of the regular city government.

1. During the decade 1920-30, for the first time in the state's history, there was a net decrease in the strictly rural population, that is, the population living outside incorporated places. This decrease was small, a little over five thousand on one basis of calculation and under fifteen hundred on another, but it is none the less significant as marking a turning point in the economic life of the state. There were forty more towns (organized townships) in 1930 than in 1920, practically all in the northern counties, but the total population outside cities and villages was less in 1930 than in 1920. The towns themselves increased slightly in total population, but only because they had taken in much formerly unorganized territory. On the other hand, the average population of towns has been on the decrease since 1900; the biggest drop occurred in 1900-10, whereas the last two decades show very little change.

Prior to 1900 population decreases were practically unknown in any of the counties of Minnesota, but in each decade since the turn of the century some counties have decreased in population. In almost every case the decreases have been in rural counties. In the decade 1900-10, twenty-nine rural counties lost population; in the decade of the war, 1910-20, there were only nine; but in the last decade the number of counties that lost population rose to forty. In the first decade of the century only southeastern counties were in the list; in the next they extended as far north as Douglas and Traverse; and in the last decade there were counties of declining population in every corner of the state—Houston, Rock, Kittson, and Lake all appearing in the list. Since 1900 five counties have lost population in three successive decades, nine have lost in two out of three, forty-three have lost population once, and thirty have so far escaped any losses.

The depression has turned some city dwellers back to the farm to earn their sustenance, but this movement has been largely in the vicinity of the larger cities, and it is doubtful whether it will be permanent. Meanwhile in the cut-over area and in certain other regions, land is being abandoned and is either reverting to the state or is being purchased by the national government for reforestation. There is little immediate prospect, therefore, of any strong movement toward the farm, and some reason to believe that there will be further decline in rural population.

If this is true and there is no turn of economic conditions strong enough to draw many more persons to the farms, the 1940 census will probably show the population of rural counties about station-

ary or further reduced. If the trends of the 1920-30 decade continue, rural counties as a group may lose from 5,000 to 50,000 inhabitants, and the average rural county will have from 65 to 600 fewer inhabitants in 1940 than it had in 1930. By the same token each town will have from 3 to 25 inhabitants fewer and each common school district from 1 to 6 fewer. These are, of course, average figures, since some rural areas will probably gain population.

If this is a correct prediction, rural local units will have fewer inhabitants, and the pressure for consolidations will be somewhat increased. Fewer units will suffice for a reduced population. This pressure will, of course, be especially strong in certain areas in northern Minnesota which are already in the process of liquidation as the lands revert to public ownership. It is likely, therefore, that in the rural areas as a whole, where the number of local units is very large, there will be some decrease of local units, although we should not expect it to be very large if people merely wait for population declines to force the issue.

2. Cities and villages, on the other hand, without respect to size, showed more and larger population increases than decreases from 1890 to 1920, with the exception of one group of cities in the decade 1900-10. Between 1920 and 1930, however, places which in 1920 had from 100 to 1,500 inhabitants showed more decreases than increases by 1930, whereas places of larger size in every population group showed more increases. Places having from 750 to 1,000 held increases and decreases about even, but all others under 1,500 decreased in many more instances than they increased. Therefore, in spite of the fact that there were 45 new incorporations during the decade and very few dissolutions, the total population of all cities and villages of under 2,500 in 1930 was less than in 1920. The average population of villages, which in 1890 stood at 939 and in 1900 at 977, in 1930 was only 555.

From this it appears that some of the smaller villages in the state are likely to dissolve in the near future, or simply to stop functioning. Most villages, although gaining or losing a little population, are likely to continue their corporate existence, but it is unlikely that they will absorb much of the prospective increase of population in the present decade, or that many new villages will be incorporated in the rural sections of the state.

3. While the villages have been quick to feel the agricultural depression, the larger cities, and especially the largest of them, have suffered relatively less. Whatever increases have occurred in

the population of the state recently have been largely in the cities. The total urban increase (that is, of the population living in cities and villages of over 2,500 inhabitants) during the decade 1920-30 was greater than the total state increase (206,023 as against 176,828). This difference of nearly 30,000 people made up for the losses suffered by the towns and by the smaller cities and villages.

This analysis may properly be criticized as being a merely "statistical" one. It credits the upper brackets in the classification with a net gain, and charges the lower brackets with an outright loss, when in fact some part of the gain and loss results merely from moving certain communities out of one class into another. Thus a city or village which had 2,490 inhabitants in 1920 and 2,530 in 1930 would be moved into the next higher class, with a paper loss to one group and a gain to the other. This does not, however, greatly change the general conclusion. If the reader will take the list of cities and villages which had more than 2,500 inhabitants in 1920, add up their 1930 population increases (beginning with Minneapolis' gain of 83,774 and St. Paul's gain of 36,908), and subtract any losses, he will find that he has soon accounted for the whole increase in the state. Those larger places which increased by over a thousand each account for about 90 per cent of the total state increase.

4. The substantial increases were, however, even more localized than is here indicated. The Minneapolis-St. Paul "metropolitan district," as defined by the Census Bureau, alone had an increase of 151,756 inhabitants, or over 85 per cent of the total state increase. Of nineteen municipalities in the state which increased by more than a thousand each, eight were in the metropolitan district. This district has less than one per cent of the state's area and one-third of its population. It extends into five counties—Hennepin, Ramsey, Anoka, Dakota, and Washington. These five, and six others, Olmsted, Stearns, Freeborn, Itasca, Blue Earth, and Mower, account for more than the total state increase. Small gains in thirty-seven other counties just about equaled the decreases in the remaining forty counties.

The pattern of local government in the Twin City area is already fairly well set. The existing cities, villages, towns, and school districts can absorb considerable increments of population without creating a need for more units. At the same time some divisions are not unlikely, as where a suburban residential group wishes to separate from the town and become a village, in order to provide

more easily its own water supply and other services. On the other hand, some reduction in the number of units is possible through annexations and consolidations.

If no new units are created in this area by division of old units, then the average population of units will be considerably increased, and be still more disproportionate to the populations of units in other parts of the state.

POPULATION AGE GROUPS AND LOCAL UNITS

School districts perform the one function of providing education. Most districts provide only elementary education, that is, through the eight elementary grades. Others provide high school education as well, and a much smaller number reach down into the kindergarten level. Roughly speaking, the school districts are concerned with that part of the population that is from five to nineteen years old. Compulsory education under present state laws carries through the eighth grade or age sixteen.

County, city, village, and town governments, on the other hand, are concerned with services other than education, and these are generally of concern to persons of all age groups. In addition, counties have a special interest in the welfare of the aged, under the old-age pension law, already temporarily in effect in all counties; and the ordinary welfare and poor relief work of counties, cities, villages, and towns is also concerned largely with the upper age groups.

One of the curious facts we need to consider is that, *relatively*, our child population is on the decline, whereas the population in the higher age groups is on the increase. Taking the state as a whole, we find that in 1900, 46.1 per cent of its inhabitants were under 20 years of age. The proportion declined to 42.2 per cent in 1910, to 40.4 per cent in 1920, and finally to 38.3 per cent in 1930. It is true that during much of this period the state's population was increasing substantially, so that the percentage decline in the numbers of our youth did not represent an actual decline in numbers. That point may soon be reached, however, since in 1930 the state had actually 30,393 fewer children under five years of age than it had in 1920.

How is this relatively declining number of children distributed? Strangely enough, the cities and villages of over 2,500 inhabitants, while they increased noticeably in total population from 1920 to 1930, also increased relatively faster in number of children of school

age (5 to 19 years), although the relative number of children under 5 years decreased. Incorporated places of under 2,500, which as a group did not increase substantially in total population, lost in the relative number of children under 5 years of age and just held even in the school age groups (5 to 19). The rural farm population, while dropping slightly in total population, lost more heavily in the age groups up to 14, and just held even its proportions

TABLE 2.—PERCENTAGES OF THE POPULATION OF MINNESOTA FALLING IN DIFFERENT AGE GROUPS, 1900-30 *

| AGE GROUP | 1900 | 1910 | 1920 | 1930 |
|--|------|------|-------|-------|
| Under 1 year | 2.7 | 2.2 | 2.1 | 1.8 |
| Under 5 years, including those under 1 year | 13.0 | 10.9 | 11.0 | 9.8 |
| 5-14 years | 23.4 | 20.9 | 20.2 | 17.1 |
| 15-19 years | 9.7 | 10.4 | 9.2 | 8.1 |
| 20-44 years | 37.9 | 39.0 | 38.8 | 43.8 |
| 45 years and over | 15.8 | 18.5 | 20.8 | 21.4 |
| Total | 99.8 | 99.7 | 100.0 | 100.2 |

* In 1900 there were three infants (under 1 year) in the population to two at the present time; four under age 5 to three at the present; seven children of grade school age (5-14) to five at the present; and six of high school age (15-19) to five at the present.

of high school age. Thus it appears that in the rural areas, where school districts are already small, the population of children of school age is declining. In such districts school populations, already small, are in all probability destined within the next five or ten years to become smaller, both actually and relatively, than they are today.

Briefly summarized, the population of school age (5 to 19 years) in urban places increased in the decade 1920-30 by 67,765 or 2,259 schoolrooms of 30 pupils each. In the same decade the school population of rural districts and of incorporated places of less than 2,500 population, taken together, decreased by 17,693, or 590 schoolrooms of 30 pupils each. There has, of course, been a nearly corresponding increase of school facilities in urban places, but no corresponding decrease in rural areas and in places of less than 2,500 population. At least the number of districts maintaining one-room rural schools shows no proportionate reduction in recent years. The fact is that many rural districts simply carry on with dwindling numbers of children to educate. Sooner or later such conditions intensify the need for some consolidations.

In conclusion, population changes are slowly and certainly bring-

ing about some decreases in the number of local units, especially in the more rural districts and in the northern part of the state. Decreases in population alone will not produce much reduction, however, and it therefore becomes necessary to consider whether on any other grounds such reductions may be expected because desirable. This calls for a more complete analysis of the adequacy of the system of local units today.

CHAPTER III

LOCAL UNITS TODAY

In the preceding chapter the increases in local units and the relationship of these increases to population growth were presented. In this chapter an attempt is made to analyze the present situation.¹

NUMBERS

It has already been shown that the total number of local governmental units in 1930 was 10,561, a number that has been only slightly reduced since that date. (See Table 3 below.) How does this number compare with that in other states?

The total number of units of local government in the United States is very large. There are in the forty-eight states over 3,000 counties, 16,000 incorporated places, 20,000 towns and townships, 127,000 school districts, and 8,000 other special districts, or a total of 175,417.² This gives us, by simple division, one unit of local government for each 700 of the population in 1930.

Minnesota with her 10,561 local units in 1930 had nearly three times the national average. There was one unit for every 243 people. This ratio is not the highest in the United States, although it is very nearly so. In the whole west-north-central group of states there is one unit for every 228 inhabitants, and in South Dakota apparently one for each 139, in Nebraska one for each 163, in North Dakota one for each 167, and in Kansas one for each 170. These states exceed Minnesota in their ratios. The New England states, on the other hand, have 3,195 inhabitants for each local unit, and all other areas likewise have fewer units per thousand population than Minnesota and its neighbors to the west.

In explanation of this high concentration of local units in this area it should be said that school districts and towns make up the bulk of the units in Minnesota and neighboring states. Any state that has both the system of common school districts and the town

¹See also Oscar B. Jesness and Reynolds I. Nowell, *A Program for Land Use in Northern Minnesota: A Type Study of Land Utilization* (The University of Minnesota Press, 1935), pp. 269-317.

²William Anderson, *The Units of Government in the United States* (Public Administration Service, Chicago, 1934), pp. 1, 11.

or township system has also a large total number of local governments. Minnesota has more town governments by nearly four hundred than any other state in the Union. Only five states, Illinois (12,186), New York (9,504), Missouri (9,211), Kansas (8,772), and Wisconsin (7,790) have more school districts than Minnesota, and all these states except Kansas have considerably larger populations.

School districts alone in Minnesota account for about three-fourths of all local units, and towns for nearly 20 per cent of the total. It is a bit surprising that to provide schools alone it should require three local units to every one that provides other services, and that towns, which handle only about 3 per cent of all state and local expenditures, should comprise nearly 20 per cent of all local units. But such is the case.

That such large numbers of local units are not needed to carry on local services adequately is clearly revealed in the New England states, on the Pacific Coast, and to some extent in the South. Massachusetts, with over 50 per cent more population than Minnesota and with a town system, has good local government with only 431 units of government, or 4 per cent as many as Minnesota. The smaller area of Massachusetts of course makes some difference, but Utah, with a larger area than Minnesota, has only 267 local units. England and Wales, with an area somewhat smaller than that of Minnesota and a population fifteen times as large, operate their whole system of local government with about the same number of units as Minnesota, and of these about one-fourth perform practically all the needed services. The English parishes, comparable in a way to our townships, have little or no work to do.

NUMBERS IN VARIOUS SECTIONS OF THE STATE

The units of local administration are not evenly distributed throughout the state. Consequently, whatever disadvantages inhere in any part of the present arrangement may be felt in one section and not in another. A division of the state into six geographical districts already in use gives the basis for Table 3.

It is clear that the greatest concentration of common or ungraded school districts is in the southern part of the state. The north-central and northwestern groups of counties have relatively few cities, while the northwestern and northeastern sections have relatively few villages. Towns are more evenly distributed throughout the state.

TABLE 3. — NUMBER OF LOCAL UNITS IN SIX GEOGRAPHICAL DISTRICTS OF MINNESOTA *

| DISTRICT | COUNTIES | CITIES | VILLAGES | TOWNS | COMMON OR UNGRADED SCHOOL DISTRICTS | ALL OTHER SCHOOL DISTRICTS |
|---------------------|----------|--------|----------|-------|--|----------------------------------|
| Southeast | 22 | 33 | 169 | 358 | 2,085 | 134 |
| Southwest | 18 | 22 | 131 | 330 | 1,572 | 115 |
| West-central | 12 | 15 | 95 | 243 | 1,065 | 59 |
| North-central | 15 | 8 | 108 | 364 | 1,370 | 79 |
| Northwest | 9 | 8 | 59 | 286 | 828 | 50 |
| Northeast | 11 | 11 | 87 | 392 | 308 | 57 |
| Total | 87 | 97 | 649 | 1,973 | 7,228 | 500 |

* There are a few duplications in this table which do not seriously affect the total result. The school district figures are for the year 1934, and the column "All Other School Districts" includes one district for every county having any pupils on unorganized territory. The other figures are for a period a year or two earlier. See Table 1 on page 13 for net totals, 1930 and 1934.

COMPLEXITY AND OVERLAPPING OF AREAS

Obviously the areas of the ten thousand units in Minnesota are not separate and exclusive. If this were the case the area per unit would be small, but the system would be somewhat simpler than it is. Instead there are three different types of units overlapping each other, and counting the state there are four distinct layers or levels of local government, as follows:

1. The state
2. The counties
3. (a) Cities and villages (urban) and (b) towns (rural)
4. School districts

These four levels exist in all inhabited parts of the state except in Indian and military reservations and except where, as in the thinly populated parts of some of the northern counties, towns either have not been organized or have been dissolved.

But this three-layer system of strictly local government is only the beginning of the complexity. Within each layer and each group there is a great deal of variation to confuse the official and the citizen. Counties are no longer governed according to any uniform law, as will be shown in the discussion of special legislation. The differences between one county and another are, however, trifling as compared with those found among other units. Cities are divided into four great population classes, and are subdivided into others according to the nature of their charters, their powers, and their forms of organization. Most of them have home rule charters, with

all the variability which that implies. Others exist under special laws or under one or another of several old general laws. Among villages the confusion is not so great. Some still operate under old special laws, but most are organized under the general village laws of 1885 and 1905.

School districts again have a wide variety of forms and powers. Common school districts, under general law, are most numerous and most nearly uniform in organization and powers. Special districts exhibit wide variations. Independent districts are also of several subvarieties, and usually include the so-called consolidated districts. Then there are the "unorganized" county districts, and the Lake County district, which is different from all the others.

Variations are thus to be found within nearly all classes of units with respect to organization, powers, procedures, dates and methods of elections, and a number of other factors affecting particular units. All this is evidence of the way in which local units have been created. Local whims and desires have had more to do with bringing about the extensive variety and complexity that exists than any careful comparative analysis of needs.

Another phase of the prevailing complexity and overlapping is to be seen in almost every county. As a general rule each town, city, and village is situated wholly within one county, but this is not always the case. The city of St. Cloud includes parts of three counties, and several cities and villages extend into two counties. Many school districts, on the other hand, cut across town, city, and village boundaries, and a large number cut across county lines also.

A map of a single county will help to portray the crisscrossing of local boundaries. (See Figure 3.) The result is considerable confusion in the conduct of elections and in the administration of tax and debt laws.

PURPOSES OF THE FOUR CLASSES OF LOCAL UNITS

Just why there should be three different levels and four different classes of local units is a question that calls for some explanation. We can see how the several classes arose historically, but can we explain and justify their existence today?

The first class, called "counties" in Minnesota and in all other states but one, may be described as *general and inclusive divisions of the state area for general state purposes*. They exist in the main under general provisions of the state constitution and statutes, and are *inclusive* of the entire state area. Through them the state

government can reach any part of the state in order to have its laws enforced and its functions administered.

Unless there is to be complete centralization in St. Paul of all power over functions in which the state has a preponderant interest, some unit like the county is a necessity; and even if the administrative power were completely centralized and all local officers and employees providing state-wide functions were appointed from the state capitol, some division of the area of the state corresponding to the present division into counties would be needed.

----- Township Boundary; — School District Boundary; • District School; ■ Cities and Villages

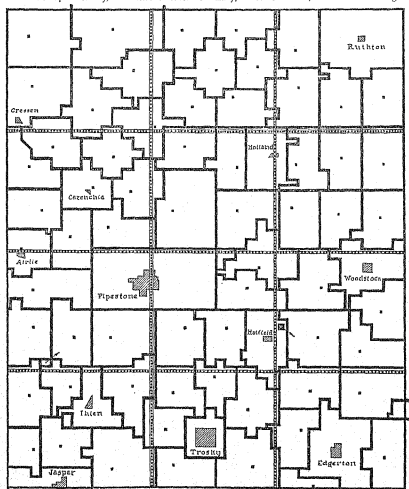


FIGURE 3.—LOCAL GOVERNMENT BOUNDARIES OF PIPESTONE COUNTY

The specific functions that today are deemed to be of statewide importance but to require local administration, and hence are delegated to the counties, are the provision of certain parts of the law-enforcing machinery (courts, county attorneys, sheriffs, and coroners), some parts of the state's fiscal machinery (county auditors and treasurers), certain classes of public roads, the registration of deeds and titles, supervision of rural schools, and certain others.

The second class, including cities and villages in Minnesota, may be described as *special incorporations in urban or partly urban places for general local purposes*.

Wherever a trading center develops, and a few or many people live close together and do not depend directly on farming for a livelihood, special needs and wants develop. The very fact of crowding creates health and fire hazards that do not exist in the adjacent countryside. A safe water supply is needed, the maintenance of order is a problem different from that in the surrounding rural area, the possibility of having pavements, sidewalks, street lights, and other amenities suggests itself. Enough children are near at hand to make possible a graded school, perhaps even a high school.

Because the county as a whole has little direct interest in these more local services, and is not equipped to provide them, legislatures in all the states have provided more or less fully for the special incorporation of such urban places, and have conferred upon them rather broad powers to provide generally for such local functions. Hence no one seriously denies the need for this class of local units, although some question the wisdom of incorporating the very smallest of them.

The third class of local units, the towns or organized townships, may be defined as *subdivisions of the county for the more localized rural purposes*. In pioneer days, when travel was difficult and modern facilities for communication were almost entirely lacking, the argument for these units was that the county seat was too far away to provide the local roads, courts, and police needed in every part of the county. It is true, in fact, that in Minnesota most roads began as town roads, and that in early days the justice of the peace and the town constable were of some consequence in law enforcement. Although conditions have changed considerably, arguments for this class of units are still frequently heard. It is said that the towns are needed because they are the last stronghold of local self-government, and that they provide local roads more economically than the county could.

In this connection it is interesting to notice that the southern, mountain, and western states generally have never had such a system of units, and are not now demanding one. Towns and townships, in fact, exist only in the northeastern third of the United States, from Maine to North Dakota, and south as far as Oklahoma, Missouri, and Illinois. Practically all the other states find the county adequate for all rural purposes, even for providing the rural schools.

The fourth class of local units found in the United States consists of *special or ad hoc districts created for special purposes*. They are justified usually on the grounds (1) that the areas of existing counties, towns, cities, and villages do not conform to the area that needs the service, as when a drainage project cuts across other areas; (2) that the other existing units are not interested in rendering the service; or (3) that they are so inefficient or so steeped in the evils of politics as to be incapable of handling some special function properly. For some such reasons a number of states have organized school districts, road districts, irrigation districts, drainage districts, port improvement districts, and many others.

School districts are the most numerous type in this general class of special districts. Minnesota alone has over 7,700 such units. The arguments for keeping these units separate from others are so numerous and involved that a short summary of them is impossible. They stress (1) the great importance of education, (2) the special nature of public school problems and their difference from other local problems, (3) the politics, inefficiency, and corruption which are said to prevail in county, city, and village governments, and which should be kept out of the schools.

Here again it is interesting to notice practices in other parts of the country. The leading New England states have practically abolished school districts. In Virginia and North Carolina, too, local control of schools has been largely eliminated. Great Britain once had the equivalent of our school districts, but long ago abolished them and placed control over schools under the county and city councils. Continental European countries do not have the district system, and a few leading American educators have begun to doubt the validity of the old arguments for separation.

If a legislature wholly free from local commitments and entanglements could proceed to make a set of local units for Minnesota, as if writing on a clean slate, and without even township lines as a determinant, it might conceivably provide to some extent for

each one of the four major types of local units described above. There would be little debate concerning the advisability of having the first two classes, but more question would arise as to the need for classes three and four, the most numerous of all.

But even if it decided to have all four classes of units, it is highly doubtful whether it would create such units in the present profusion of numbers, or would give them the particular boundaries and areas they now have. It would probably reason that each unit should be large enough, and have its boundaries so drawn, as to make it reasonably competent to perform the functions expected of it in an effective and economical manner and to raise its own revenues from a fairly extensive area and population. In other words, it would raise the question of the adequacy of each unit for the function it was designed to perform.

IMPORTANCE OF DIFFERENT CLASSES OF UNITS

There is no conclusive test of the relative importance of different classes of local units, but there are some factors on which a judgment can be based.

Counties and school districts serve all the residents of Minnesota. Other units reach only parts of the people. In 1930, 1,597,963 or 62.2 per cent lived in cities and villages, and 965,990 or 37.6 per cent in towns and unorganized areas.

In respect to area served, towns stand far ahead of cities and villages. According to our best calculations, cities and villages combined include only about 2 per cent of the area of the state, whereas towns include well over 90 per cent (1930) and unorganized territory the rest. Recent town dissolutions have only slightly reduced the area covered by town governments.

On the other hand, if service is the test of the importance of local units, and if service can be measured roughly by taxation or expenditure, then we have a more definite test of importance. Table 4 presents a financial comparison of this kind. The school districts lead in total financial importance, cities and villages coming next, counties third, and towns far behind the counties. Per unit the counties lead, cities and villages come next, school districts third, and towns again fourth. In per capita expenditures school districts lead counties among the units covering the whole state area, but within city and village areas, the municipal governments are on the average financially more important than the school districts that serve them. In rural areas, the towns are on the per capita

TABLE 4. — TAX LEVIES AND EXPENDITURES OF LOCAL UNITS IN MINNESOTA *

| | COUNTIES | CITIES AND VILLAGES | SCHOOL DISTRICTS | TOWNS |
|---|--------------|---------------------|------------------|-------------|
| Property tax levies, 1933..... | \$21,383,387 | \$31,377,033 | \$35,211,831 | \$4,543,223 |
| Rank order | 3 | 2 | 1 | 4 |
| Governmental cost payments, 1931 | \$38,848,000 | \$51,695,000† | \$64,615,000 | \$6,843,000 |
| Rank order | 3 | 2 | 1 | 4 |
| Cost payments per unit..... | \$446,400 | \$71,000 | \$7,020 | \$3,465 |
| Rank order | 1 | 2 | 3 | 4 |
| Cost payments per capita of population served | \$15 | \$33 | \$21 | \$7 |
| Rank order | 3 | 1 | 2 | 4 |

* The data for this table were drawn from the following sources: *Minnesota Year Book, 1933*; *Financial Statistics of State and Local Governments, 1931: Minnesota* (United States Bureau of the Census, 1934); *Financial Statistics of Cities Having a Population of Over 100,000, 1932* (United States Bureau of the Census, 1934); *Financial Statement of the State Board of Education, etc., 1931-32*. A number of the figures are only approximations.

† Estimated.

basis financially far behind the school and county governments. In many towns even the state property tax is larger per capita than the town tax.

The small amount of taxes levied by the towns leads one to question the need of abolishing towns as a measure of economy. Towns levy only about five per cent of all local property taxes, and probably less than a fifth of the taxes in rural areas. If all of this amount could be saved, it would help the rural taxpayer considerably, but the road work and other services now financed from town taxes could not be eliminated, so that clearly only a part of these taxes could be saved. It may still be true, however, that more efficient ways of caring for the town roads can be found and that road expenses would be more fairly spread by a larger taxing unit.

DIFFERENCES IN SIZE WITHIN CLASSES

The tests of adequacy which one naturally considers in connection with local governments are three:

1. The area to be served and the distances involved.
2. The population to be served and the need for a separate unit to serve the particular group of people in the proposed unit.
3. The taxpaying ability within the unit for supporting the needed services, without excessive demands upon the local taxpayers on the one hand or excessive demands upon the whole state for aid.

In the following pages some of these tests will be applied to all the members of each class of local units.

COUNTIES

The average area of counties in Minnesota is 929.4 square miles, or about 26 townships. There are such large variations in size, however, that the average is somewhat misleading. In fact, only four counties in the state are within fifty square miles of the average. The smallest county, Ramsey, has an area of only 161 square miles, whereas that of St. Louis is 6,503, or over forty times as much.

Closer study shows that county areas fall into two major groups. Twenty-one counties in the northern half of the state range in size from 1,034 square miles to 6,503; and together these comprise just over 50 per cent of the total area of the state. On the other hand, over three times as many counties (66), lying in the southern and central portions of the state and ranging in size from 161 to 978 square miles, constitute less than half of the total area. The average size in this southern group is 608 square miles; in the northern group it is over three times as large, or 1,938 square miles.

In population we find the extremes even farther apart. Hennepin County with 517,785 population has over two hundred times the population of Cook with 2,435 inhabitants, and seventeen times that of the average county (29,470). Three counties (Hennepin, Ramsey, and St. Louis) have together over a million inhabitants, or nearly 40 per cent of the state's population. The remaining 20 counties in the northern group and 64 in the southern group reveal the fact that large areas do not mean large populations. Though more than three times as large in average area, the northern counties average only about 16 per cent larger in population than the small southern counties—21,062 as compared with 17,712. The northern group thus calculated includes Stearns and Otter Tail, agricultural counties of large population on the border between north and south. If only the large counties in the cut-over northeastern triangle were included, the population of the average southern county would be larger despite its much smaller area.

This greater population density and the smaller areas of the southern counties give them a considerable advantage over the northern counties with respect to (1) nearness of all parts of the county to the county seat and (2) smaller mileages of roads to be maintained in proportion to population.

These advantages are reinforced by the relatively greater wealth as shown by assessed valuations of taxable property. In 1933 the assessed value of the southeastern counties averaged about \$550 per capita, the southwestern counties about \$700 per capita, while north-central counties averaged about \$350, northwestern counties about \$400, and northeastern counties (except Itasca and St. Louis) a little over \$300. In total assessed valuation, no southeastern or southwestern county fell below \$6,000,000, while only three northeastern and four northwestern counties exceeded this figure. By 1934 one county, Cook, had fallen below a million dollars in assessed valuation, and six other northern counties were under three millions.

It is clear, then, that the typical northern, and especially northeastern, county has a large area, scanty population, and low assessed valuation, whereas the typical southern county is smaller in area, more thickly and evenly populated, and possesses greater taxable wealth. These general differences between the northern and southern ends of the state are important not only for counties but also for towns, school districts, and incorporated places. A unit called a county or a town in northern Minnesota is a very different thing from a unit of the same class in southern Minnesota.

Ranked on the basis of assessed valuation used for the levy of taxes of 1933, payable in 1934, the counties of smallest taxable wealth are as shown in Table 5. In contrast to these counties, Hennepin alone has two and one-half times the population and over four times the assessed valuation of all twenty combined. (See Figure 4.) These counties are distinctly below the average of the state, and all have to struggle against great odds to maintain adequate county services.

To summarize the obvious differences between counties, (1) the largest in area is 40 times larger than the smallest; (2) the largest in population has 200 times as many inhabitants as the smallest; and (3) the largest in assessed valuation of taxable property (excluding money and credits) has more than 350 times the taxable wealth of the smallest. In none of these respects, however, is there an even gradation of differences between extremes. At the one extreme stand a few very large, very populous, or very wealthy counties, and at the other extreme a larger number of small, sparsely populated, or very poor counties. Between the extremes there is a central group of 60 or 70 counties with a spread of 3 or 4 to 1. Thus 69 counties have between 400 and 1,200 square miles

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TABLE 5.—TAX STATISTICS FOR COUNTIES OF SMALLEST TAXABLE WEALTH IN MINNESOTA *

| COUNTY | AREA IN SQUARE MILES | POPULATION IN 1930 | ASSESSED VALUATION | PER CAPITA ASSESSED VALUATION | TAX RATE FOR COUNTY PURPOSES, 1933-34 (IN MILLS) | PER CAPITA TAX LEVY FOR COUNTY PURPOSES, 1933-34 |
|----------------------------|-------------------------------|--------------------------|-----------------------|--|---|---|
| 1. Cook | 1,498 | 2,435 | 8967,694 | \$397 | 82.46 | \$32.78 |
| 2. Lake of the Woods | 1,346 | 4,194 | 1,688,544 | 402 | 35.10 | 14.15 |
| 3. Mahanomen | 572 | 6,153 | 1,997,868 | 325 | 30.30 | 9.89 |
| 4. Clearwater | 1,019 | 9,546 | 2,376,143 | 249 | 32.14 | 8.06 |
| 5. Lake | 2,099 | 7,068 | 2,544,298 | 360 | 40.49 | 14.62 |
| 6. Red Lake | 432 | 6,887 | 2,546,343 | 370 | 28.06 | 10.84 |
| 7. Kanabec | 534 | 8,558 | 2,560,924 | 300 | 27.74 | 8.40 |
| 8. Wadena | 538 | 10,990 | 3,208,017 | 292 | 19.04 | 5.61 |
| 9. Hubbard | 958 | 9,596 | 3,413,760 | 356 | 28.63 | 10.23 |
| 10. Roseau | 1,670 | 12,621 | 3,519,382 | 279 | 30.04 | 8.42 |
| 11. Sherburne | 448 | 9,709 | 3,912,069 | 403 | 14.64 | 6.08 |
| 12. Pennington | 607 | 10,487 | 3,994,985 | 381 | 28.64 | 10.95 |
| 13. Mille Lacs | 583 | 14,076 | 4,034,919 | 287 | 27.54 | 7.98 |
| 14. Cass | 2,104 | 15,591 | 4,040,474 | 260 | 39.13 | 10.23 |
| 15. Koochiching | 3,141 | 14,078 | 4,154,309 | 295 | 53.24 | 15.81 |
| 16. Isanti | 442 | 12,081 | 4,347,276 | 360 | 19.94 | 7.22 |
| 17. Aitkin | 1,830 | 15,009 | 4,445,536 | 296 | 47.91 | 14.47 |
| 18. Kittson | 1,111 | 9,688 | 4,762,962 | 492 | 17.00 | 8.47 |
| 19. Beltrami | 2,476 | 20,707 | 4,802,899 | 232 | 38.44 | 8.99 |
| 20. Traverse | 568 | 7,938 | 5,138,440 | 644 | 9.88 | 6.48 |

* Data from *Minnesota Year Book*, 1934.

of area; 63 have between 12,000 and 36,000 inhabitants; and 61 have between 5 and 20 millions in assessed valuation of taxable property (1933).

This gives us a sort of central tendency for each of the three factors, but unfortunately blessings and burdens are not equally distributed. Expenses of counties vary partly in proportion to area and partly in proportion to population, whereas ability to pay expenses varies roughly in proportion to taxable valuations. Some counties with very large areas and fairly large total populations have small assessed valuations, whereas in other counties the reverse is true.

In short, needs and the ability to meet those needs have been distributed among counties in Minnesota most unevenly. There are great inequalities in ability to pay even in the central group of counties mentioned above, and those that fall below the central group in valuation are under severe handicaps. Despite many differences in the laws, the smallest and weakest counties are supposed to maintain practically the same organization and provide

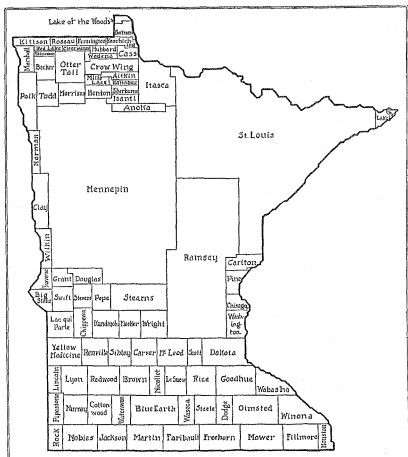


FIGURE 4. — COUNTIES OF MINNESOTA DISTORTED TO SHOW RELATIVE ASSESSED VALUATIONS OF TAXABLE PROPERTY, 1933

Hennepin County, the largest with respect to assessed valuation, has more than 350 times the taxable wealth of the smallest, Cook County.

the same essential services as the largest and wealthiest. This imposes upon the weaker counties a burden of taxation far heavier than that of others, as is shown by the high county tax rates given in Table 5.

TOWNS

Towns vary far less than counties in area. Although some town governments in several northern counties include more than one township area, and many throughout the state serve a little less

than 36 square miles, the tendency is for the township to have the six-by-six-mile area. The average area seems to be from 34 to 35 square miles, and the spread above and below this average is not great.

In population the differences are naturally somewhat greater. The computed median population for organized towns (1930) is 472. Only three states with state-wide township systems have towns of smaller average population, namely, North Dakota, South Dakota, and Kansas. The most populous town in Minnesota (Minnetonka in Hennepin County) had 4,601 inhabitants in 1930, or about twice the population of Cook County. The smallest (Birch Island in Beltrami County) had three inhabitants. All told there were 106 towns with fewer than 100 inhabitants. Practically all these were in the northern counties, where the average town population is much smaller than that in the southern counties.

In 1932 the average assessed valuation of taxable property in towns was slightly over \$300,000 per town. In Lake of the Woods County the average was less than \$45,000, in Hubbard about \$100,000, whereas in some southern counties the average was well over \$500,000. A ten-mill town tax rate fully collected would yield \$3,000 in the average town and over \$5,000 in the more well-to-do southern Minnesota towns, but in the poorer northern Minnesota towns only from \$1,000 down to \$100 or \$200.

CITIES AND VILLAGES

The discrepancies just noted in the populations and assessed valuations of towns are even more strikingly evident in the case of cities and villages. Here the range is from Minneapolis, with 464,000 inhabitants in 1930, to the twenty-six villages of less than 100 inhabitants. While only three cities have less than 1,000 population, the average village has only 555, while the more typical village has fewer than 400 inhabitants. Minneapolis alone has more inhabitants than the 655 cities and villages which in 1930 had less than 2,500 population each.

In assessed valuations of taxable real and personal property the same differences are noticeable. In 1932 Minneapolis, St. Paul, and Duluth had over 55 per cent of the assessed valuation of real and personal property in all cities and villages. Ten cities and villages on the Iron Range accounted for over 16 per cent more. Less than 29 per cent of the taxable property in cities and villages was located in the other 715 incorporated places in the state. A few

small places reported total assessed valuations of less than \$10,000, and many reported less than \$25,000. A ten-mill tax in such places would yield from \$100 to \$250 if fully collected—a sum obviously too small for any important service.

SCHOOL DISTRICTS

If there is no typical town, city, or village in Minnesota from the point of view of population or taxable wealth, it is even harder to find an average school district. The “unorganized” districts of Koochiching and St. Louis counties, and the Lake County district, embrace several thousand square miles each. At the other extreme are numerous common school districts in southern Minnesota with from four or less to six or seven square miles of area. In population the Minneapolis district tops the list with over 95,000 children enrolled, and at the lower extreme are hundreds of common districts with fewer than ten pupils each. Assessed valuations show a similar spread. In assessed valuation of taxable property the Minneapolis district alone has nearly three-fifths as much as all the 7,222 common or ungraded elementary districts combined. Common school districts in several northern counties in 1934 averaged less than \$30,000 assessed valuation, and many were far below that figure. In such a place even a ten-mill tax fully collected would yield only \$300. Several hundred districts had to levy from thirty to over a hundred mills for school purposes alone.

Not only are there inequalities within classes but, as Table 6 shows, there are towns with more population than the smallest county, and many villages more populous than the smallest cities. More striking is the typically small size of towns and villages. If school district populations were more fully known, it would undoubtedly be found that the lower population groups were well represented, since there must be hundreds of school districts with fewer than 100, and thousands with fewer than 300 inhabitants.

Similar discrepancies in assessed valuations could undoubtedly be shown. Every table upon this point shows how many local units have assessed valuations far too low to yield adequate local revenues at a low rate of taxation. For many small units there has been a clear alternative: either to reduce services below a desirable level, or to increase local taxes above such a level. For education and roads there has been state aid to reduce the pressure for high tax rates, but this has nowhere been sufficient to enable the weaker communities to avoid the dilemma.

TABLE 6.—NUMBER OF LOCAL UNITS IN SPECIFIED POPULATION CLASSES IN 1930 *

| POPULATION | COUNTIES | CITIES | VILLAGES | TOWNS |
|---------------------------|-----------|----------|----------|--------|
| Over 500,000..... | 1 | 0 | 0 | 0 |
| 300,000-500,000..... | 0 | 1 | 0 | 0 |
| 200,000-300,000..... | 2 | 1 | 0 | 0 |
| 100,000-200,000..... | 0 | 1 | 0 | 0 |
| 50,000-100,000..... | 2 | 0 | 0 | 0 |
| 40,000- 50,000..... | 0 | 0 | 0 | 0 |
| 35,000- 40,000..... | 3 | 0 | 0 | 0 |
| 30,000- 35,000..... | 3 | 0 | 0 | 0 |
| 25,000- 30,000..... | 8 | 0 | 0 | 0 |
| 20,000- 25,000..... | 14 | 3 | 0 | 0 |
| 17,500- 20,000..... | 8 | 0 | 0 | 0 |
| 15,000- 17,500..... | 11 | 0 | 1 | 0 |
| 12,500- 15,000..... | 13 | 2 | 0 | 0 |
| 10,000- 12,500..... | 8 | 5 | 0 | 0 |
| 7,500- 10,000..... | 0 | 4 | 1 | 0 |
| 5,000- 7,500..... | 3 | 13 | 0 | 0 |
| 4,000- 5,000..... | 1 | 7 | 2 | 1 |
| 3,000- 4,000..... | 0 | 8 | 5 | 2 |
| 2,000- 3,000..... | 1 | 21 | 10 | 4 |
| 1,000- 2,000..... | 0 | 25 | 56 | 80 |
| 700- 1,000..... | 0 | 1 | 61 | 238 |
| 500- 700..... | 0 | 1 | 79 | 582 |
| 300- 500..... | 0 | 0 | 128 | 502 |
| 200- 300..... | 0 | 0 | 136 | 227 |
| 100- 200..... | 0 | 1 | 128 | 230 |
| Less than 100..... | 0 | 0 | 26 | 106 |
| Total | 87 | 94 | 634 | 1,973 |
| Average population | 29,470.72 | 13,240.5 | 555.85 | 484.01 |
| Median population | 16,625 | 2,696.5 | 327 | 472 |
| Largest population | 517,795 | 464,356 | 15,666 | 4,601 |
| Smallest population | 2,435 | 112 | 15 | 3 |

* School districts are omitted because the populations are not fully known.

WHAT IS AN ADEQUATE SIZE FOR A COUNTY?

When the adequacy of the size of existing counties is discussed, one must have in mind some standard of comparison. To find such a standard is very difficult, however, particularly in recent years when taxes and expenditures have been cut so unequally in different places. The measure we have in mind is that of good service in the routine county offices, at a low expense per capita, by officers and employees who are paid reasonable salaries for an ordinary amount of work. Unreasonable budget cuts which require the laying off of needed assistants may seem to be economy at the time, and may result in some reductions of expense per capita, but cannot be used as a measure in the long run. Furthermore, amounts spent upon road construction, for example, cannot be used as the basis of comparison, since outlays on roads can be increased almost in-

definitely or be reduced to nearly nothing. The per capita expense of certain routine offices, such as those of auditor, treasurer, superintendent of schools, and others, give a better test of long-time economy than variable expenses like those for roads.

A study made several years ago on the basis of expenditures in such county offices revealed some interesting facts.³ 1. The more sparsely settled counties (i. e., the northeastern counties generally), had a higher per capita expense than others for ordinary or routine purposes. Whether this was due to the larger areas, to the relatively larger number of tracts of real estate in proportion to population, to newness, to looseness and extravagance in management, or to some other cause we cannot say. 2. As between counties of large and small populations, those of small population had the highest per capita routine expenditures (for salaries, clerk hire, etc., in the offices of auditor, treasurer, superintendent of schools, etc.). The larger the population, on the average, the lower the per capita expense for such purposes, until populations of 25,000, 30,000, and 35,000 were reached. In this range the per capita savings with increased population diminished noticeably, and beyond 35,000 they practically disappeared. In other words, a minimum staff such as even the very small counties must provide could in fact serve a larger population than that of the smallest counties, and thus per capita expense could be reduced in counties of somewhat larger population.

The tentative conclusion was that under existing conditions at the time, the Minnesota county of from 25,000 to 35,000 population could keep its per capita expenses for ordinary purposes down to about the same figure as larger counties, but that in smaller counties the per capita expense would be higher. In general the conclusion favored the upper figure, 35,000, as perhaps the more desirable minimum population for Minnesota counties; but in view of the other conclusion, that expenses were higher in the sparsely settled counties, it does not at all follow that forcing all counties in northern Minnesota to unite in units of 35,000 population would produce any great reduction of expense.

It may be noted also that calculations made in almost any recent year on the basis of taxes levied for county general funds, the funds used for the general running expenses of the county, show the advantage that counties of larger population have over groups of

³ Betty Bauer, "Model County Budgets for Minnesota" (M. A. thesis, 1932, filed in the Library of the University of Minnesota).

adjoining counties of smaller population, both in tax rates per thousand dollars and in per capita taxes for this purpose. Table 7

TABLE 7. — GENERAL FUND TAX RATES IN LARGE AND SMALL COUNTIES
(Levies of 1933, payable in 1934)

| COUNTY | GENERAL FUND RATE (IN MILLS) | VALUA- TION | GENERAL FUND TAX LEVY | POPULA- TION | PER CAPITA GENERAL FUND LEVY |
|------------------------------|---------------------------------------|----------------|--------------------------------|-----------------|--|
| GROUP I | | | | | |
| Small counties.. | { Douglas | 5.00 | \$8,102,372 | \$40,512 | 18,813 |
| | { Grant | 5.21 | 5,746,138 | 29,937 | 9,558 |
| | { Pope | 5.31 | 7,545,624 | 40,067 | 13,085 |
| | { Stevens | 5.59 | 6,265,218 | 35,023 | 10,185 |
| All... | 5.29 | \$27,659,352 | \$145,539 | 51,641 | 2.82 |
| Large county Otter Tail | 5.00 | 16,086,855 | 80,434 | 51,006 | 1.58 |
| GROUP II | | | | | |
| Small counties.. | { Dodge | 4.18 | \$7,988,008 | \$33,390 | 12,127 |
| | { Steele | 4.13 | 10,907,519 | 45,048 | 18,475 |
| | { Waseca | 3.90 | 8,742,445 | 34,095 | 14,412 |
| All... | 4.07 | \$27,637,972 | \$112,533 | 45,014 | 2.50 |
| Large county Olmsted | 5.07 | 21,891,254 | 67,206 | 35,426 | 1.90 |
| GROUP III | | | | | |
| Small counties.. | { Isanti | 6.80 | \$4,347,276 | \$29,561 | 12,081 |
| | { Kanabec | 11.69 | 2,566,924 | 30,007 | 8,588 |
| | { Mille Lacs | 9.92 | 4,034,910 | 40,026 | 14,076 |
| All... | 9.10 | \$10,949,110 | \$69,594 | 35,745 | 2.79 |
| Large county Pine | 6.40 | 6,309,621 | 40,381 | 20,264 | 2.00 |

makes three such comparisons of counties chosen at random, but others could easily be made. In each case it will be noticed that the single populous county has a decidedly lower per capita general fund levy than the group average of less populous counties adjacent to it. Every random comparison of this kind that we have made has shown the same result.

If the suggested "optimum" minimum population of 25,000 to 35,000 is somewhere in the vicinity of the right figure, then the average county of about 29,000 population is not far from the desirable minimum. It happens, however, that only about sixteen counties in Minnesota are near or above this average; and even if all counties of over 20,000 were considered as being within the range of reasonable population size, there would still be fifty-four counties below standard.

This whole line of approach is open to criticism, and it would be unreasonable to attach great weight to this single line of study based upon the routine county offices and their per capita expenses. It is interesting to notice, however, that other lines of investigation lead to similar conclusions.⁴ Suppose we try to determine what size a county should be to give adequate modern road maintenance service at reasonable cost. We picture a county road organization headed by a well-trained, reasonably well-paid engineer, with competent assistance and a complete equipment of modern machinery. To justify such an establishment a county would have to have many more miles of road to maintain than the average county now has. Even if all town roads were assumed by the counties, some would still have too little work to do and too small a taxpaying population behind them to justify the expense needed for the best-trained personnel and the best equipment, even though such a transfer of function probably would mean economy in the long run for the larger counties.

ADEQUATE SIZE FOR OTHER UNITS⁵

Cities and villages obviously will be of such size in population as their local growth permits, unless prevented from expanding by boundaries unwisely drawn at one time and made difficult to change thereafter. Normally each should include the urban population in every direction from the center out to the point where the predominant use of land is for agriculture or some other non-urban purpose, such as forestry. The most difficult problems of size for cities arise in the largest centers, where rings of satellite cities grow up from the overflow of population from the central city and obstruct the most natural and efficient development of municipal services. What should be one city is in fact a half dozen or more. This topic is discussed in Chapter XVI.

The proper size of towns is also a difficult question. All the conditions that make towns what they are, and that attach people to them, assume that they will be of small size. To combine town with town to make larger units would tend to destroy these advantages of nearness and intimacy, and would still fail to make them large enough to be competitors of the county from the viewpoint of adequate size for administration.

If the towns are to continue, however, as we fully expect that

⁴ See Jesness and Nowell, *A Program for Land Use in Northern Minnesota*, pp. 268-315.

⁵ The size of school districts is discussed on pages 246-50.

they will, and for some time to come, there might be some advantage in local boundary changes here and there to make their areas correspond more nearly with the smaller trade areas of the state. A small trading center would normally be the center of such an area, and the boundaries would be less regular than the present rigid checkerboard arrangement, laid out in six-mile squares.

THE FUTURE OF LOCAL GOVERNMENT UNITS

However the present situation is analyzed, it is clear that Minnesota has a very large number of local units; that there are great inequalities among them even where by law they have the same type of organization and substantially the same duties to perform; that hundreds, yes thousands, of them are exceedingly small and financially weak; that these smaller and poorer ones are unable to afford the quality of service that is possible in larger units; and that such service as they do get is frequently expensive.

ARGUMENTS AGAINST CHANGE IN PRESENT SYSTEM

At the same time a fairly strong case can be made, and is made, against any substantial changes in the present system of units.

1. The first point, as already noted, is that the town and the common school district are the only remaining strongholds of local self-government, the only places where the mass of the people can get any direct experience in self-government. This argument cannot be lightly dismissed. At the same time it is clear that real local self-government is possible only to the extent that the money for local services is raised locally. Such has been the change in economic conditions and in the standards of service demanded that rural leaders have been forced to request more and more state aid for local services. Such aid must in the long run be accompanied by some state control, and the state will be forced to find the most efficient local units for the administration of the aid given.

Larger units, with their broader tax base, with the ability to raise more of the needed revenue within their own limits, and with funds enough to employ well-trained personnel and the best methods and equipment, can be given more freedom in the management of their services than smaller and weaker ones. They generally surpass the minimum standard set by state laws, whereas smaller units frequently fall below it.

It must be noted, also, that the small affairs handled in town and school district meetings give no one any experience, except in

contacts with people, that is of much application elsewhere. The affairs of counties, cities, states, and the nation are different not only in importance but in kind. The modern problems of finance, personnel, purchasing, accounting, planning, law enforcement, and many others are not really encountered in the town. One of the clearest commentaries on the affairs of the town and of the common school district is that except in times of depression, when taxes are hard to pay, most of the voters have simply stayed away from the meetings, leaving the management of affairs to the few local leaders and magnates who had some direct personal interest.

2. It is sometimes argued, also, that the town gives better road service for the money expended than does the county, just as it is frequently argued by county officials that they do their work better than the state highway department. Common experience does not, in general, support either of these contentions, although local exceptions can be found. The argument for the one-room country school as against the graded school of the larger district is open to the same sort of question. The small district may spend less money on its teacher and on its school building; it usually does. But the results shown, for example, by the state board examinations give evidence of the general difference in the quality of the work.

3. There is also the argument as to spreading the work, so that there will be more jobs because there are more local governments, and the argument of keeping the jobs and the taxpayers' money at home. Spreading of work in this way usually means somewhat greater expense, and the use of more primitive methods. As to keeping the jobs at home, that argument cuts both ways, since it limits the chance of a town resident to get a town road job anywhere except in his own town.

4. It is sometimes said, also, that the affairs of the town, the school district, the village, or the city are of no concern to anyone else. If this argument were true, these units should never receive any state aid for any of their local functions. It is just because all local services, and particularly roads, schools, health, and law enforcement, are of concern outside the local units that there has recently been such a development of state aid and even of national aid to local governments. Almost every development in modern social and economic life tends to make the whole population of the United States more integrated and at the same time more mobile. What affects any community, affects sooner or later, in some degree, all the others.

ARGUMENTS IN FAVOR OF REORGANIZATION

Over against these arguments for the present system of units there is a case for reorganization, consolidation, and the allocation of functions to those units that seem to be more capable. It is argued (1) that the larger units provide broader tax bases than smaller ones and, for example, leave no unit with many children to educate and practically no financial resources; (2) that larger units are capable of, and justified in, providing better equipment, better-trained personnel, and more modern methods of work; (3) that in the larger unit work can be subdivided among several workers according to its nature, so that there can be more specialization and a more complete satisfaction of public needs; (4) that the overhead expense is generally smaller in the larger units, or can be made so; (5) that members of governing boards and councils can be drawn from a larger and more diversified population, giving the opportunity for getting better talents; (6) that state supervision will be easier to provide if needed, since there will be fewer units to supervise, but that it will be less needed because large units tend to maintain higher standards of service than smaller ones.

Several cautions need to be added to these arguments. First, the economy to be gained from the creation of larger units will not be so large as some of the most ardent exponents of consolidation have asserted. Some saving is probable, as is shown by the comparison of county general funds presented above, but it may not be large enough in the judgment of the taxpayers to outweigh the advantages of having the county seat nearer home. Second, the sort of economy usually attained by larger units is not less expenditure but better service for the same money. This is in the long run the soundest argument for enlarging local areas. Before it can be made to have a strong appeal to the voters and taxpayers concerned, they must be brought to the point of wanting better service and results. This can be done, and is being done constantly, but it requires time and effort. Third, consolidations that involve the immediate outlay of considerable sums for new buildings or equipment are to be avoided. Great harm has been done in the past to the progress of the judicious consolidation of schools by advocates of such consolidations who have induced newly formed districts to erect fine new school buildings at once out of borrowed funds. Lake County avoided this mistake, and county consolidations should come, as a rule, only where a county courthouse capable of handling the work of the enlarged county already exists.

Geographical conditions must also be recognized in any consolidation proposals. Perfect uniformity among counties, or anything approaching it, is obviously impossible. In the northern part of the state, where local units are having the greatest difficulties, areas are already so large, distances so great, and taxable valuations in general so low, that nothing comparable to the conditions in southern Minnesota could be brought about by any conceivable reorganization of counties. Lake and Cook might reasonably be combined, and some reorganization of boundaries in the counties west of St. Louis might be made, but at best the situation is bound to be different from that in other parts of the state.

Finally, the abolition of town governments is by no means a necessity. The real problem is to get certain functions, such as rural road construction and maintenance, and property assessment, handled in better ways. A transfer of some of these important functions to larger and more competent units is all that is really required. The town government, like the parish in England, may well go on handling the more local services, and the annual town meetings may well continue to serve as means of informing the authorities of larger units, such as the county, concerning local views as to the services being given. Even the transfer of road and assessment functions to the county is not a matter of such immediate and pressing importance that it need take place at once. A longer and more piecemeal process, preceded by more educational work, will probably be necessary for even this much change.

CHAPTER IV

THE LEGAL STATUS OF LOCAL GOVERNMENTS

Under the Constitution of the United States, certain functions and powers are delegated to the national government and a few are denied both to it and to the states. All other powers are reserved to the states or to the people. The central point to keep in mind is that the national constitution makes no mention of local governments within the states and gives no recognition to them. Whatever local units exist inside a state such as Minnesota are the legal creations of the state, and of the state alone.

Two expressions on this point that have come from the courts are sufficiently important to be repeated here. In one case, where the question was whether the legislature of a state could regulate the hours of work and the wages of laborers employed by contractors doing work for local governments in the state, the United States Supreme Court quoted with approval the following statement from a leading authority:

Municipal corporations owe their origin to, and derive their powers and rights wholly from, the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so it may destroy. If it may destroy, it may abridge and control. Unless there is some constitutional limitation on the right, the legislature might, by a single act, if we can suppose it capable of so great a folly and so great a wrong, sweep from existence all the municipal corporations of the state, and the corporations could not prevent it. We know of no limitation on this right so far as the corporations themselves are concerned.¹

So sweeping a power of the states, acting through their legislatures, over the existence and the powers of local governments, suggests not only ample power in the states to devise good systems of local rule, but also an ever present threat to the principle of local self-government in small communities. Counties, cities, and other units stand, in fact, in constant danger of losing their rights of local rule. Almost every session of a state legislature imposes some new restriction on local authorities or makes some change in local governments contrary to the wishes of the local officers.

¹ *Atkin v. Kansas*, 191 U. S. 207 (1903), quoting from Judge Dillon's opinion in *City of Clinton v. Cedar Rapids and Missouri River R. R. Co.*, 24 Iowa 455, 475 (1868).

In the statement of legislative power quoted above, one hope is extended to local units. If they can find or create some "constitutional limitation" upon the power of the state legislature, they may be able to protect their local liberties behind such a limitation. The desired constitutional limitation may be found in either the national or the state constitution. Is there anything of this nature in the national constitution?

Time and again the friends of local self-government have tried to convince the United States courts that the national constitution does impose some limits on state powers over local governmental units. The Supreme Court has, of course, agreed that a state cannot authorize a local government to do anything that the state itself cannot do under the national constitution, but this is in itself a restriction of local powers, and therefore gives no comfort to those who support local self-government.

This group seeks more positive checks on state authority, and usually has tried to find them in the constitutional provisions which forbid any state (1) to pass any law impairing the obligation of contracts; (2) to pass any law depriving any person of life, liberty, or property without due process of law; and (3) to pass any law denying to any person within its jurisdiction the equal protection of the laws.²

Attempts have been made, directly or indirectly, to show that a city charter is a contract that may not be impaired by state law, and that a local government corporation is a "person" entitled to the protection of its liberty and property against state interference. In a recent important case of this kind, a city had purchased from a private corporation its right, granted by the state, to take from the local river all the water it needed for municipal and domestic purposes, and without charge.³ The legislature later passed a law charging the city for the water, and the city tried to have this law declared invalid. This effort, like all other previous ones of similar nature, proved futile. The court said, "The power of the state, unrestrained by the contract clause or the 14th amendment, over the rights and property of cities held and used for 'governmental purposes,' cannot be questioned."

But the city had argued that it held its water supply system in its "private or proprietary capacity" and that it was therefore entitled to the same protection as a private corporation. To this

² Constitution of the United States, Article I, Section 10, Paragraph 1, and Amendment XIV.

³ *City of Trenton v. State of New Jersey*, 262 U. S. 182 (1923).

the court replied that although this distinction between governmental and proprietary capacities has some importance in another branch of law, it "furnishes no ground for the application of constitutional restraints here sought to be invoked by the city of Trenton against the state of New Jersey. They do not apply as against the state in favor of its own municipalities."

It would seem to be entirely useless, therefore, for local governments to try to get protection against the state from the federal courts under the national constitution. Their charters and laws are not contracts with the state, and they hold their rights and property only as agents of the state. Hence the "contract clause" and the "due process clause" of the national constitution are of little or no value to local governmental units as shields against state intervention in their affairs.

Turning the argument around a little, the states have every power they need, unhampered by the national constitution, to devise adequate and effective systems of local government. If there is failure to do so, the blame cannot be put upon the national government or the national constitution.

In the exercise of its legislative power a state may, therefore, do almost anything it desires to do respecting local government. This legislative power is exercised in most instances by that body which is called the state legislature. Upon this point the Minnesota Supreme Court has said:

We must not forget that the voice of the legislature is the voice of the sovereign people, and that, subject only to such limitations as the people have seen fit to incorporate in their constitution, the legislature is vested with the sovereign power of the people themselves. In other words, the provisions of a state constitution do not and cannot confer upon the legislature any powers whatever, but are mere limitations in the strict sense of that term, and the legislature has all the powers of an absolute sovereign of which it has not been divested by the constitution.⁴

This is indeed strong language, but for those who would protect local liberties against undue legislative meddling, it suggests the way out. That way is through the amendment of the state constitution. Failing to get protection through the national constitution, local authorities have sought to gain the same result through state constitutional amendments. They have reasoned that such amendments, properly framed, and enforced by the courts, would prevent the worst evils of state interference in their affairs, and would

⁴State ex rel. Simpson v. City of Mankato, 117 Minn. 458, 136 N. W. 204 (1912).

compel the legislature to leave local questions to be decided by local authorities. Experiments with such limitations on legislative powers in Minnesota have had both good and bad results.

In the original state constitution, the provisions with respect to local government were few and seemingly unimportant. They restricted to some extent state legislative control over local units, and at the same time put into force some of the democratic ideas of the day. Counties and towns are dealt with in Article XI, and there is a reference to cities, but villages, school districts, and other special districts are not mentioned.

Under the original constitution the legislature might create new counties of not less than four hundred square miles in area, but the boundaries of counties already organized were not to be changed, nor could a county seat be moved without a vote of the electors. By exception, any city of twenty thousand or more inhabitants might be organized by the legislature into a separate county without regard to area, provided the voters in the county approved.

"Congressional or fractional townships," i. e., the land survey townships, might be organized with legislative approval "for municipal and other town purposes." Corporations "for municipal purposes" might be organized by special legislative act.⁵ In fact, special legislation for the creation of counties, towns, and other local units was impliedly recognized and approved. Local taxing powers were to be such only as were "prescribed by law." Legislative control was not denied, although local control was recognized to some extent in the provisions for local votes on the changing of county boundaries and the moving of county seats.

The democratic ideas of the times are clearly revealed in the original provisions concerning elections. "Provision shall be made by law," says the constitution, "for the election of such county or township officers as may be necessary." Construed as a limitation on legislative powers, this clause seems to say that whatever county or town officers may be necessary must be elected, and cannot be appointed. This clause is undoubtedly the basis for the extensive use of popular election as a means of filling county and town offices to this day. Cities, school districts, villages, and other local units are not mentioned in this clause, and presumably do not come under this sweeping requirement of the election of officers. Even their most important officers might, presumably, be appointive.

But who is eligible to these elective local offices? On this point

⁵ Article X, Section 2.

another clause in the original constitution throws some light. In Article VII, on the elective franchise, each person having certain qualifications of age, residence, and competence, is declared to be "entitled to vote . . . for all officers that now are, or hereafter may be, elective by the people" in his election district. Then it is provided that "Every person who by the provisions of this article shall be entitled to vote at any election shall be eligible to any office which now is, or hereafter shall be, elective by the people in the district wherein he shall have resided thirty days previous to such election; except as otherwise provided in this constitution, or the constitution and laws of the United States."⁶ The only exceptions in the state constitution are the provisions that the governor must be twenty-five years of age and that judges of the Supreme Court and the district courts must be "learned in the law," i. e., must have been admitted to the bar.

Under a strict interpretation of the provision quoted above, the legislature could not require any candidate for a locally elective office to prove anything more than that he is a voter in the district. Probate judges, municipal judges, justices of the peace, court commissioners, and county attorneys need not have any learning in the law to be eligible to their several offices. Elective county superintendents of schools might be without education of any kind.

The original provisions concerning local courts reveal the same democratic tendencies. There are specific provisions for the election of Supreme Court justices, the judges of the district courts, probate judges, justices of the peace, court commissioners, and clerks of the district court.⁷ In addition, "All judges other than those provided for in this constitution shall be elected by the electors of the judicial district, county, or city, for which they shall be created, not for a longer term than seven years."⁸

For this reason it is generally understood that municipal court judges must also be chosen by popular vote, and such is the general practice. Vacancies in any judicial office in the state shall, however, "be filled by appointment by the governor until a successor is elected and qualified."⁹

These several clauses of the original constitution have seemed to stand in the way of any serious effort of the state legislature to reconstitute the areas of counties, to reorganize their governments along lines such as those of the county board-and-manager plan,

⁶ Article VII, Section 7.

⁷ Article VI, Sections 3, 4, 7, 8, 13, 15.

⁸ Article VI, Section 9.

⁹ Article VI, Section 10.

in which most of the officers are appointive, or to provide for an appointive judiciary. In fact, it has been possible to say that these and other proposals to modernize local government would probably be unconstitutional in Minnesota. Very few important tests of this point have been made, because in fact the legislature has done very little toward reorganizing either county or town governments.

If these clauses, which still appear in the printed constitution, do in fact limit the legislature's power over counties and towns, they at least do not apply to cities, villages, school districts, and other local units. Over such local governments the authority of the legislature was originally almost unlimited, and this authority it sometimes exercised without consulting the wishes of the locality. Certain evils developed as the result of legislative interference in local affairs—evils which governors and legislators recognized almost as clearly as did the local leaders. As a result it was possible in the eighties and nineties to get a series of constitutional amendments which were designed to give local units more security in their powers to govern themselves.¹⁰

The first of these amendments forbade the legislature to pass "special or private" laws on a list of subjects, including the laying out, opening, or altering of highways, the changing of any county seat, the incorporating of any town or village, and several others. This amendment, although in effect for over ten years, was inadequate and unsatisfactory. It prohibited only a few types of special legislation, and these were not the most important ones. The passage of special laws regulating local affairs continued almost unabated for another ten years.

In 1892 the present very drastic amendment was adopted.¹¹ It forbids the enactment of a special law in any situation in which a general law can be made applicable. In addition, it expressly prohibits the passage of any local or special law in several fields, of which some of the more important are as follows:

Regulating the affairs of, or incorporating, erecting, or changing the lines of any county, city, village, township, ward, or school district, or creating the offices, or prescribing the powers and duties of the officers of or fixing or relating to the compensation, salary, or fees of the same or the mode of election or appointment thereto; . . . regulating the powers,

¹⁰ See William Anderson, *City Charter Making in Minnesota* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 1, 1922), pp. 7-20; and Constitution of Minnesota, Article IV, Sections 33, 34, 36.

¹¹ Article IV, Section 33. For discussion see Anderson, "Special Legislation in Minnesota," *Minnesota Law Review*, 7: 133-51, 187-207 (1923); J. M. Dawley, "Special Legislation and Municipal Home Rule in Minnesota: Recent Developments," *Minnesota Law Review*, 16: 659-78 (1932).

duties, and practice of justices of the peace, magistrates, and constables; . . . for opening and conducting of elections, or fixing or changing the places of voting; . . . locating or changing county seats; regulating the management of public schools, the building or repairing of schoolhouses, and the raising of money for such purposes.

This striking prohibition covers such important matters as "regulating the affairs of" local governments, and also the "mode of election or appointment" to local offices. It is a prohibition, however, against a certain form of legislation only, namely, special or local legislation. Presumably if the legislature acted upon these same matters by general law, the constitution would not forbid. Such is the fact not only by inference but by express language soon to be quoted. The long paragraph from which the quotation above was taken closes with the following proviso: "Provided, however, that the inhibitions of local or special laws in this section shall not be construed to prevent the passage of general laws on any of the subjects enumerated."

This provision is supported and strengthened by another adopted at the same time, as a part of the same amendment, to wit: "The legislature shall provide general laws for the transaction of any business that may be prohibited by section one (1) of this amendment, and all such laws shall be uniform in their operation throughout the state."¹²

In this section we find not only an authorization but also a sort of mandate to the legislature to enact general and uniform laws on matters concerning which it may not enact special or local laws. The conclusion now would seem to be that on such a question as whether county and town officers are to be elected or appointed the legislature has a power of choice among methods which was previously denied to it. It can probably make them elective or appointive as it sees fit. In support of this view are several explicit decisions of the Supreme Court which hold that the former requirements of the constitution with respect to the removal of county seats and changes in county boundaries have been abrogated by the amendments concerning special and general legislation quoted above.¹³ If it can devise laws of a general and uniform nature, the legislature can do things today concerning local gov-

¹² Article IV, Section 34.

¹³ *State ex rel. Childs v. Board of County Commissioners of Crow Wing County*, 66 Minn. 519, 68 N. W. 707, 69 N. W. 925, 73 N. W. 681 (1896); *State ex rel. Childs v. Pioneer Press Co.*, 66 Minn. 536, 68 N. W. 769 (1896); *State ex rel. County of Pennington v. District Court of Red Lake County*, 115 Minn. 208, 129 N. W. 514 (1910).

ernment which it could not do before the adoption of the amendment prohibiting special legislation.

The foregoing discussion of special and general legislation relates generally to all types of local units in the state. But soon after the prohibition against special legislation was adopted, the cities of the state found themselves in a new predicament and began to seek new constitutional safeguards. Before 1892 practically every city charter and many a village charter had been enacted by the legislature as a special law.

The charter of almost every city was different, therefore, from that of almost every other one. Local needs also differed from one city to another, and so too did local ideas of how to satisfy those needs. Now that special legislation was forbidden, the legislature, at least in the beginning, thought it could do nothing to change individual local charters to meet special and local needs. It was impossible to devise general laws that would fit all special cases, because local conditions and needs were so different.

To meet this new difficulty another constitutional amendment was proposed and adopted. According to this provision, "Any city or village in this state may frame a charter for its own government as a city consistent with and subject to the laws of this state."¹⁴ A charter once adopted under this authority not only supersedes the old charter passed by the legislature but may also be amended locally if the voters so decide.

The effect of this constitutional provision is to permit each city and village to enact in the form of a charter or charter amendment such local and special laws as may be needed to meet local needs. As the legislature has been forbidden to pass such laws, the localities are authorized to do this for themselves. No such power is conferred, however, upon counties, towns, school districts, and other local units. "Constitutional municipal home rule," as it is called, is the right of cities and villages, but not of other local governments.

To preserve the supreme power of control in the hands of the legislature, the amendment provides that all "home rule charters," as they are popularly called, must be "consistent with and subject to" the laws of the state, and that "The legislature may provide general laws relating to affairs of cities" in four population groups, "which [laws] shall apply equally to all such cities of either class, and which shall be paramount while in force to the provisions re-

¹⁴ Article IV, Section 30.

lating to the same matter included in the local charter herein provided for." Thus the power delegated to cities and villages to frame, adopt, and amend their charters is subordinate to the general legislative power of the state, but the legislature when acting on municipal affairs may act only through "general" laws.

Under the power thus conferred upon cities and villages to make their own charters as cities, a number of villages have advanced to the status of cities through the adoption of such charters. At the present time, 71 of the 95 cities in the state have home rule charters.¹⁵ The list includes all the 3 cities of the first class, 2 of the 3 cities of the second class (St. Cloud and Rochester, but not Winona), all 7 cities of the third class, and 59 of the 82 cities of the fourth class. Most of the non-home rule cities are of small size, and their combined population is only about six per cent of the population of all cities. Home rule charters provide the legal basis, therefore, for most cities and for the largest part of the city population of the state.

There are other constitutional provisions, which will be dealt with in connection with finance, education, and highways. With these exceptions the discussion above covers briefly the main clauses of the state constitution that are of concern to local government. The upshot of the whole discussion is that, although the legislature may not pass "special or local" legislation, its powers of general legislation over local government are probably greater in most respects today than they were under the original constitution. The legislature can hardly plead lack of power to do what needs to be done.

GENERAL AND SPECIAL LEGISLATION

Previous to the sweeping prohibition of special legislation by constitutional amendment in 1892, each state legislative session produced two volumes of laws—one a volume of general laws; the other, usually the larger one, a volume of special laws. The volume of general laws usually included a few enactments dealing with local government, but the second volume was devoted almost entirely to that subject.

The distinguishing characteristic of the special laws was that each named the place to which it applied. Thus, choosing at random from the volume for 1891, the last of the series, we find that Chapter 1 is "An Act to Incorporate the City of Redwood Falls,

¹⁵ See *Minnesota Year Book*, 1934, pp. 133-36, for a classified list of cities.

in the County of Redwood and State of Minnesota;" Chapter 2 is "An Act to Incorporate the City of Chaska," etc.; Chapter 60 is "An Act Providing for the Construction and Repair of Sidewalks in the City of Northfield"; Chapter 324 is "An Act to Detach Certain Territory from School District Number Thirty-Seven (37), in the County of Wabasha, and Attach the Same to School District Number Ninety-Eight (98) in the Same County"; and Chapter 449 is "An Act Relating to the Salaries of Certain County Officers of St. Louis County."

While no county and no town is actually based upon a special law, many counties have peculiar local arrangements as a result of special laws of early date. On the other hand, 12 cities, 59 villages, the one borough in the state, and 21 school districts are organized under special laws. Each of these units has a particular law enacted prior to 1892 that serves as the principal part of its charter or local constitution. In each case there are probably provisions of general laws that also apply to the government of such places and serve to fill out the framework of the local government.

When the legislature was free to enact special laws for particular local governments, certain definite evils arose. Limited as they were to a session of ninety legislative days, the legislators were unable to scrutinize all the local bills with care; they had no time to give notice to the communities concerned, and no time to hold public hearings on the bills; and as the number of such bills was very large, and increased from session to session, it took time away from more important matters even to go through the formalities of the readings and roll calls required by the constitution. The local communities, on the other hand, found that special interests went up to the legislature to seek changes in the local governments, to get increases or decreases in taxes or salaries, to get legislation requiring local improvements, changes in election dates, and a host of other matters; and that these were enacted into law and imposed upon the local community without the knowledge or consent of the inhabitants. Special interests prevailed. Burdens were imposed upon one community and not upon another.

As was noted above, it was to end such evils as these that special legislation was forbidden by constitutional amendment. Even before this prohibition was adopted the legislature had begun to enact a few laws of a general nature with respect to cities and villages, while counties, towns, and school districts were even more fully dealt with in general legislation. Following the prohibition,

for a few sessions the legislature enacted very few special laws even by subterfuge, and the large biennial volumes of special laws were no longer printed after 1891. But on the other hand, the legislators enacted very few general statutes to effect the needed changes in local governments. Since local administrative changes are constantly needed in a growing and changing society, and since the provision for municipal home rule charters helped only cities and villages—and helped them only a little while home rule was still new and poorly understood—the numerous demands for special laws simply piled up and went unsatisfied.

Presently, however, a new solution was found for the difficulty. The legislators learned that a law to be considered general need not apply to every county, or every city or village.¹⁰ On the contrary, a law is general if it applies equally to all the members of a class—and the legislature has the right to make the classification! The amendments of 1896 and 1898 began the work of classification by setting up first three and then four classes of cities according to population. Cities of more than 50,000 inhabitants make up the first class; those of 20,000 to 50,000 the second class; those of 10,000 to 20,000 the third class; and those of under 10,000 the fourth class.

This classification applies only to cities, however, and it alone is fixed in the constitution. The legislature was free to classify counties, villages, towns, and school districts in any way it deemed appropriate. The courts early held that such classifications must be reasonable, and must be based on actual differences, but otherwise were inclined to be rather lenient toward classifications. First tentatively and experimentally, then with increasing confidence, the legislature began to classify local governments and to enact different laws for different classes.

Thus a new form of legislation grew up rapidly in the years after 1900. It was not special legislation in the old sense. The place to which it applied was not named in each act. Neither did each act apply to all cities, or to all counties, as the case might be. Instead it appeared, and still appears, in forms somewhat as follows: "An Act to Amend Laws, 1920, Chapter 107," etc., "Relating to Salaries and Clerk Hire of the County Treasurer in Certain Counties," etc. (Laws, 1933, Chapter 12).

In order to ascertain the counties to which this act applies one

¹⁰ For discussions of this subject see articles cited in footnote 11 above. See also H. F. Kumm, *The Constitution of Minnesota Annotated* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 3, 1924), pp. 97-111.

must look into the first section, which, in its amended form, reads as follows:

In each county in this state now or hereafter containing 36 full or fractional congressional or 30 organized townships only, having a total area of not more than 670,000 acres nor less than 665,000 acres, and having an assessed valuation of not less than \$10,000,000, nor more than \$20,000,000, including moneys and credits, and having a population of not less than 22,000 nor more than 30,000 inhabitants, the county treasurer shall receive a salary of \$3,000.00 per annum.

The word "only" in this section, and the narrow limits with respect to area, clearly mark this act as not a general one, applicable to a class, but a special act designating a single county. Previous to 1892 the title to this act would probably have read: "An Act Relating to the Salary of the County Treasurer of Crow Wing County, and to Clerk Hire in His Office."

A similar act of 1933 is Chapter 292, of which the title reads as follows: "An act to amend Laws 1929, Chapter 178, authorizing counties now or hereafter having twenty-four organized townships and a population of not less than 23,500 and not more than 24,000, and a land area of not less than 795 and not more than 805 square miles to levy an annual tax of not more than one-half mill for the purchase of a county fair grounds." This act also designates a particular county—Kandiyohi.

Now many of these acts are in fact just as much special laws as the older type which specifically named the places affected. If one examines closely the bases of the classification, one finds that many of these statutes actually designate a particular place. For example, a law relating to all counties having from 10,500 to 12,000 population might happen to include several counties, but when the classification goes on to say "and having from \$6,000,000 to \$8,500,000 assessed valuation," and perhaps adds a third test such as having an area of from 900 to 1,050 square miles, or 25 to 27 townships, only one county can as a rule qualify.

The possibilities can be shown mathematically and geometrically. Suppose first that all counties (there are only 87) are divided into ten classes on the basis of area. This is fairly simple. Now suppose a cross-classification into ten classes on the basis of assessed valuation. At once we have a square ten by ten, divided into one hundred equal squares. It is doubtful whether more than two or three counties would fall in any one square. If we now introduce a third dimension in the form of a tenfold classification

on the basis of population, we have a cube ten by ten by ten, composed of one thousand small cubes as illustrated. (See Figure 5.) Now there are a thousand compartments into which the different counties might fall, and it is doubtful whether any two counties would fall in the same space, even if the division were made without regard to any existing local situation.

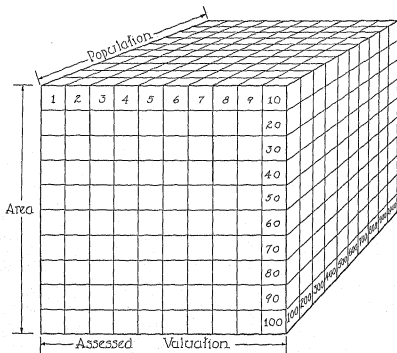


FIGURE 5.—DIAGRAM SHOWING POSSIBILITIES IN TWO- AND THREE-DIMENSIONAL CLASSIFICATIONS OF LOCAL UNITS

What in fact happens is somewhat different. Those who draft the bills look at the county for which they are to be drawn, and make their one-, two-, or threefold classifications in such a way that only the one county will fall within the terms of any act. And since different men draft different bills, the result is a maze of overlapping classifications, as is shown in Table 8, made up from the laws of 1925. Almost every one of these acts applies in fact to but a single county, but different legislative draftsmen have used different terms to designate the same county. One has designated St. Louis County as all counties having over 5,000 square miles of area and over \$250,000,000 in assessed valuation. Another has des-

ignated the same county as any county having from 150,000 to 240,000 inhabitants, and over \$300,000,000 in assessed valuation. Others have designated it in different ways.

St. Louis County, because of its great area, is in some respects in a class by itself, and to that extent requires legislation different from that applied to counties of much smaller size. Broad general classifications are justifiable when they are based upon real differences, even though it may chance that in some cases a single county is thus put in a class by itself. But this reasoning does not justify the fine and largely arbitrary distinctions that have been made in other cases to confer special powers or impose special burdens upon one county while others are left untouched.

With respect to counties in particular, but to some extent also with respect to cities, villages, towns, and school districts, the state has made a partial return to a regime of special legislation. An important difference between the old and the new special legislation is that the old frankly named the place to which it applied, so that voters and taxpayers had notice at least after the law was passed of any new law applicable to their community. Special laws then read, "The city of Minneapolis" may do thus and so, or "Pipestone County is hereby authorized" to do this and that. Under the present system, to determine which counties are affected by any particular law based on a classification, one must look up the latest census, the assessed valuations at the time the act was passed, and a well-drawn map of the state. In many cases only a few insiders ever know what places are affected by such acts.

This circumstance, and the fact that these acts are probably unconstitutional in many cases, are evils that have grown up largely since 1900. Along with them there has been a return, though on a smaller scale, of many of the old evils of special legislation discussed above. All this is a matter of no small importance. The legislature has again become the scene of a scramble of local interests. The different county delegations are once more being forced to give much time to local and private matters, and to vote for local bills from other sections of the state, and without scrutiny, in order that their own bills may not be opposed. The whole machinery devised for state legislation must be set in motion to grind out small bills to decide matters that could and should be settled locally. As long as the legislature continues thus to dabble in local affairs, the local communities and their officers are denied the chance to develop a true sense of local responsibility for local affairs.

TABLE 8. — CLASSIFICATION OF COUNTIES IN LAWS OF 1925
A. LAWS IN WHICH AREA IS THE PRIMARY BASIS OF CLASSIFICATION *

| Laws of 1925, Chapter | Area Limits | Population Limits (Number of Inhabitants) | Assessed Valuation Limits (Millions of Dollars) | Other Criteria |
|--------------------------|----------------------|--|--|--|
| 132† | 380 to 400 sq. mi. | Over 20,000 | 8 to 10 | Having over 37,000 platted lots. |
| 181† | 380 to 400 sq. mi. | Over 20,000 | 18 to 20 | |
| 346† | 12 to 13 townships | | 5 to 6 | |
| 143† | Over 14 townships | 10,000 to 12,500 | 3 to 4‡ | Where county agricultural society has "before purchased" fair grounds. |
| 177, 108† | 15 to 16 townships | 6,000 to 28,000 | | |
| 180 | 15 to 17 townships | | 12 to 14 | |
| 325† | 28 to 29 townships | 25,000 to 28,000 | Under 40 ‡ | |
| 5† | 30 to 53 townships | | Not less than 8 | |
| 52† | 38 to 42 townships | | 9 to 12‡ | |
| 186 | 41 to 42 townships | | | |
| 91 | 41 to 43 townships | 25,000 to 30,000 | 20 to 40 | |
| 81†, 96† | 55 to 65 townships | 30,000 to 40,000 | Over \$500 per capita | Having no state or federal fish hatchery, etc. |
| 301† | 60 to 80 townships | 45,000 to 75,000 | 25 to 250 ‡ | Where county owns fair grounds, etc. |
| 54 | Over 2,500 sq. mi. | | 3 to 5 ‡ | Having county system of poor relief. |
| 94 | Over 2,500 sq. mi. | | 20 to 50 | |
| 12 | 70 to 80 townships | | 6 to 12 | |
| 80† | Over 80 townships | | 6 to 12 | |
| 21 | 80 to 84 townships | | 5 to 12 | |
| 77, 77†, 79† | 81 to 84 townships | | 5 to 7 ‡ | Having total debt of from \$1,800,000 to \$2,500,000. |
| 183 | Over 85 townships | | | |
| 323 | 93 to 105 townships | | 5 to 12 | |
| 269† | 95 or more townships | | Over 250 ‡ | Owning a county fair ground with buildings, etc. |
| 20 | Over 5,000 sq. mi. | | Over 300 | |
| 97 | Over 5,000 sq. mi. | | Over 300 ‡ | |
| 287 | Over 5,000 sq. mi. | Over 150,000 | | |
| 379† | Over 5,000 sq. mi. | 150,000 to 240,000 | | |
| 127, 250† | Over 5,000 sq. mi. | Over 200,000 | | |
| 237 | Over 5,000 sq. mi. | | | |

* This classification based upon the Laws of 1925 could be duplicated with variations from the laws of every subsequent session. Each act relates to "all counties" or "any county" coming within the particular classification. For further discussion see *Minnesota Law Review*, 11:205-12.

† A law dealing with salaries and clerk hire.

‡ A law in which the assessed valuation is "exclusive of money and credits."

TABLE 8B.—LAWS IN WHICH POPULATION IS THE PRIMARY BASIS OF CLASSIFICATION *

| Laws of 1925, Chapter | Population Limits (Number of Inhabitants) | Other Criteria |
|--------------------------|--|---|
| 288† | Under 6,000 inhabitants | Wherein compensation is not fixed by special laws. |
| | Under 8,000 inhabitants | Wherein compensation is not fixed by special laws. |
| | 6,000 to 9,000\$, 8,000 to 13,000 | Wherein compensation is not fixed by special laws. |
| | 9,000 to 13,000\$, 13,000 to 17,000\$ | Wherein compensation is not fixed by special laws. |
| | 17,000 to 22,000\$, 22,000 to 28,000\$ | Wherein compensation is not fixed by special laws. |
| | 28,000 to 36,000\$, 36,000 to 45,000\$ | Wherein compensation is not fixed by special laws. |
| | 45,000 to 55,000, 45,000 to 100,000 | Wherein compensation is not fixed by special laws. |
| | 55,000 to 100,000 | Wherein compensation is not fixed by special laws. |
| 15† | 28,100 to 30,600 | Wherein there is a city of the 3d class or larger size. |
| 229 | Under 150,000 | |
| 214 | Over 150,000 | |
| 130† | 150,000 to 240,000 | Over 300 million assessed value.‡ |
| 370† | 200,000 to 275,000 | |
| 397 | 200,000 to 350,000 | |
| 370† | 220,000 to 330,000 | |
| 240 | Over 225,000 | Where city and county have a joint courthouse and city hall, etc. |
| 248 | 225,000 to 330,000 | Having a county agricultural society. |
| 29 | 240,000 to 300,000 | |
| 52† | 240,000 to 330,000 | |
| 398†, 308† | 380,000 or over | |
| 43, 243, 249, | | |
| 367, 369 | 400,000 or over | |

* This classification based upon the Laws of 1925 could be duplicated with variations from the laws of every subsequent session. Each act relates to "all counties" or "any county" coming within the particular classification. For further discussion see *Minnesota Law Review*, 11:205-12.

† A law dealing with salaries and clerk hire.

‡ A law in which the assessed valuation is "exclusive of money and credits."

§ In the counties falling within the limits noted, probate judges are allowed additional compensation in proportion to the assessed valuation of the county.

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TABLE 8C. — LAWS IN WHICH ASSESSED VALUATION IS THE PRIMARY BASIS OF CLASSIFICATION *

| Laws of 1925, Chapter | Valuation Limits (Millions of Dollars) | Other Criteria |
|--------------------------|---|--|
| 78† | Under 4 | Except counties covered by special law or by one classifying counties otherwise than according to valuation alone. |
| 140† | Not over 4 | |
| | 4 to 6, 6 to 10 | |
| | 10 to 26, 26 to 40 | Except counties covered by special law or by one classifying counties otherwise than according to valuation alone. |
| 401 | Over 150‡ | Having debt not over 7 million exclusive of trunk highway bonds. |
| 255 | 200 to 350‡ | Having bonded debt not over \$6,400,000 inclusive of trunk highway bonds. |
| 365 | Not less than \$15‡ | |

TABLE 8D. — LAWS BASED UPON MISCELLANEOUS CLASSIFICATION *

| Laws of 1925, Chapter | Classification |
|--------------------------|--|
| 222 | Applies in fact only to counties having county boards of education for unorganized territory. |
| 310 | Applies to counties having city-county board of control, having charge of hospitals in which patient suffered injury between March 1, 1924, and April 1, 1924 (Ramsey). |
| 302 | Applies to counties having county boards of tax levy, and authorizes increased road and bridge tax therein (Hennepin). |
| 28 | Applies to counties in which land has been conveyed to state for an armory and in which a city of the 4th class has paid \$2,000 toward such armory site and authorizes such county to appropriate not over \$3,500 to complete the transaction. |

* This classification based upon the Laws of 1925 could be duplicated with variations from the laws of every subsequent session. Each act relates to "all counties" or "any county" coming within the particular classification. For further discussion see *Minnesota Law Review*, 11:205-12.

† A law dealing with salaries and clerk hire.

‡ A law in which the assessed valuation is "exclusive of money and credits."

As noted above, legislative interference is most noticeable in the affairs of counties, although cities, villages, school districts, and even towns do not wholly escape. The alternatives to the present system are well known and will be more fully discussed later. They are (1) the enactment by the legislature of more flexible general laws, so that local variations are possible; (2) the conferring upon county boards of broader powers over county budgets, salaries, and

other affairs; (3) possibly the adoption of a system of county home rule; (4) certainly the introduction of a better system of state supervision of the business management of local governmental units; and (5) ample provision for notice and hearing to all local interests, and the scrutiny of local bills by some expert and impartial state agency, whenever new laws affecting local governments are proposed.

MUNICIPAL HOME RULE

The cities of Minnesota have now had more than thirty-five years of experience with constitutional municipal home rule, i. e., the power to frame, adopt, and amend their own charters.¹⁷ On the whole this experience has been successful and of advantage to the cities and to the state. The legislature has been spared the consideration of hundreds of local bills that might otherwise have been laid before it; the citizens in scores of communities have had placed upon them a wholesome and sobering responsibility to formulate and obtain the adoption of local charters; and a number of constructive and desirable changes have been introduced into city government by means of home rule charters. No important state interest has been seriously impaired by municipal home rule, and local welfare has undoubtedly been promoted to some extent.

Like other human institutions, constitutional municipal home rule has fallen considerably short of perfection. A number of suggestions have been made, therefore, from time to time, looking toward the improvement of the present constitutional provision.¹⁸ Some of these are as follows:

1. The appointment of members of the boards of freeholders (charter commissions) by the district judges is a simple and economical method, and it usually results in the selection of competent and representative citizens. Minnesota alone of all the states uses this system, and it has been urged that the method used in other states, that of having the voters elect the charter commission, would be more suitable. At least the voters might be given the power to recall a court-appointed commission and to elect in its place one more in touch with local opinion or more actively interested in promoting charter reform. This would seem to be the more desirable because of the fact that charter commissions, espe-

¹⁷ See publications cited in notes 10 and 11 above; also Anderson, "What Municipal Home Rule Means Today," *National Municipal Review*, 21:94-100 (1932).

¹⁸ See William Anderson, *Municipal Home Rule in Minnesota: A Proposed Amendment to the State Constitution* (League of Minnesota Municipalities Publication No. 2, 1924).

cially in the larger cities, have come to have an almost continuous existence.

2. The votes required to adopt charters and amendments are probably unduly high. It is necessary to obtain a four-sevenths vote to adopt a new charter, and a three-fifths vote to adopt an amendment; and this means four-sevenths or three-fifths not of those voting on the question, but of the total number of voters going to the polls. It is therefore relatively harder to change a city charter than to amend the state constitution, for which only a majority of those voting at the election is required. In effect, those who go to the polls to vote for candidates for office and fail to vote on charter changes are counted as voting against the proposals. Besides overcoming this handicap, the proponents of reform must obtain an extra seven to ten per cent of the votes at the election. This gives a powerful advantage to entrenched political interests. The handicap of those who desire change is less in the case of special elections called solely for the submission of charter proposals, but in the larger cities the expense of such elections often deters the proponents of change from requesting them.

3. In the smaller cities the constitutional requirement on the publication of amendments has proved to be expensive or even practically unworkable. The provision is that proposed amendments shall be "published for at least thirty days in three newspapers of general circulation in such city or village." While weekly papers have been held to be acceptable, a number of small places do not have three local papers of general circulation, and to print the amendment in large city dailies of local circulation is unduly expensive. This provision certainly calls for change.

4. A considerable number of cities still have old special- or general-act charters. The people are satisfied with the main provisions of these, but cannot obtain changes even of minor details without legislative action. To become home rule cities and thereby acquire the power to amend their charters, such cities now have to go through the formality of adopting a home rule charter, which may be nothing more than the old charter with a few small alterations. Minnesota might well follow the example of certain other states which allow local amendment of any city charter. This would put all cities on the same legal basis, and save the legislature from the labor of enacting laws for particular cities. If this were done, however, it might be well to provide also that hereafter no community of less than 2,500 population should become a city. Today

any village, of any size, may become a home rule city by adopting a home rule charter.

HOME RULE FOR COUNTIES

In several states, notably California, Ohio, and Texas, counties as well as cities now have the right to frame, adopt, and amend their own charters. The movement to confer such powers on counties has usually originated in the larger cities. The great urban populations have found county government to be an increasing expense and to present ever more difficult problems of adjustment and control. They have been subject to constitutional provisions which have compelled them to carry on county administration according to outworn and clumsy methods. They have pleaded frequently for legislation modernizing and simplifying county government, but the legislators, bound by constitutional provisions or representing mainly the rural counties, have done little to remove the obstacles to reform in urban counties. They have, indeed, by means of special legislation done much to make county government more complicated and expensive and less responsive to local control. Because general legislative reform of county government has been so difficult to obtain, leaders in county reform have sought constitutional authority to permit counties to reorganize themselves.

In support of such provisions it is argued that a number of new plans of county organization must be tried before the most suitable ones are found; that needs are somewhat different in different localities and are best known locally; that legislators are slow to move in such matters; that general legislation applicable to all counties does not really meet the varying needs, while special legislation for particular counties is an unwarranted interference in their affairs; and that it is a valuable education for the voters in any county, and a desirable training in public responsibility, to be permitted to go through the processes of study, formulation of a charter, and debating and voting before a charter is adopted.¹⁹

By others it is urged that counties should be fairly uniform in organization; that as agents of the state, primarily, they should be under state control and supervision; that present constitutional restrictions prescribing ancient forms of county government should, indeed, be repealed; but that after such repeal, instead of each

¹⁹ See A. W. Bromage, "Advantages of County Home Rule," *National Municipal Review*, 23: 514-17 (1934).

county making its own charter, the legislature should lay down the general principles of county organization and procedure in the statutes; and that within such broad lines counties could and should have powers of responsible self-government, and not be interfered with constantly by special legislation.²⁰

Both those who favor and those who oppose county home rule believe that some fundamental reorganization of county government is desirable. They disagree only upon the manner in which it should be brought about, and the question of whether there should be more uniformity or more variety in county organization and powers.

The present writer believes that for most counties home rule, i. e., the power of each county to draft, adopt, and amend its own charter, is unnecessary and undesirable. It is probable that the Minnesota legislature has as much power as it needs to reorganize county government along modern lines. For all but a few counties the reorganizing legislation should follow common lines in order to obtain a high degree of uniformity, although counties might be permitted to vote on certain limited options with respect to form. As to powers, they ought to be very much the same for all counties.

For the three most populous counties, however, and perhaps for a few other large ones, some measure of home rule might be desirable. It is unlikely that the legislature will in the near future attack the urgent problem of giving these counties such powers and organization as they really need to set their public business in order. They must to some extent look out for themselves; and a carefully drawn constitutional amendment, permitting them to frame and adopt county charters, would probably help them to do so.²¹ The same amendment might well classify all counties into a few broad classes according to population and authorize the legislature by a two-thirds or three-fifths vote to extend home rule powers to any such class of counties. Such amendment should also, probably, clearly reserve to the legislature the power, by general and uniform laws, to override any provisions in the county charters. There is such a provision in the municipal home rule provision, and it insures the maintenance of all essential uniformity and state control.

²⁰ See K. H. Porter, "County Home Rule a Mistake," *National Municipal Review*, 23:517-19, 535 (1934).

²¹ For drafts of county home rule provisions see *National Municipal Review*, 21: 540-42; Constitution of Ohio, Article X, Section 3; Constitution of Texas, Article IX, Section 3, Paragraph 2.

STATUTORY PROVISIONS FOR LOCAL GOVERNMENTS

Although it is important to keep in mind the constitutional problems underlying the status of local governments, it is also necessary to remember that most of the provisions of law governing local units are to be found in the statutes and charters. A brief summary of the situation for each type of unit may be useful.

Counties are all organized under certain general laws of the state, but this general statutory basis is modified in the case of a few counties by old special laws still in existence, and in the case of many, if not all, counties by certain acts passed since 1900 relating to limited classes of counties, as has been discussed above.

Towns are also organized mainly upon the basis of general laws enacted by the legislature. Very few if any important special laws apply to them, but a number of acts relating to particular classes of towns modify the general law for some of them, especially for those of large population.

School districts are based for the most part upon general laws, but are also affected in many cases by laws of limited application, and in some twenty-one cases old special district charters are still in effect and of some importance.

Villages are for the most part organized under general laws. The largest number, 357, operate under the village law of 1885; 220 are under the law of 1905; and 60 (including one borough) are still under old special laws; most of these, however (55), have the same form of government as other villages. Many villages have also been affected by laws of limited application based upon classifications more or less arbitrary.

Cities, as we have noted above, are mainly organized under home rule charters, but 12 have old special charters and 13 others are under one or another of three different general laws dating from 1894, 1895, and 1921. Recent laws of limited application, and old special laws, are complicating factors in a number of cases, but a number of general laws, such as the enabling act for home rule cities and the indebtedness acts, tend to bring a little order and uniformity into the situation.

CORPORATE STATUS OF LOCAL UNITS

Whatever the statutes or charters upon which they are based, all the local units enumerated above have the status of public corporations. Counties, for example, are described as follows:

Each organized county is a body politic and corporate, and as such empowered to act for the following purposes:

1. To sue and be sued.
2. To acquire and hold real and personal property for the use of the county . . .
3. To sell, lease, and convey any real or personal estate owned by the county . . .
4. To make all contracts and do all other acts in relation to the property and concerns of the county necessary to the exercise of its corporate powers.

In like manner, by statute or charter, towns, school districts, villages, and cities are all declared to be, and are, public corporations, with the usual common law and statutory powers to act as such.

If there are any differences in legal status between the different classes of local units, they must be found to a large extent outside the statutes. Cities operating under home rule charters have undoubtedly some protection in their status under the constitutional provision providing for such charters, but this protection is rather intangible. All cities and villages have, also, rather extensive ordinance-making power, whereas that of towns is more limited, and counties and school districts possess very little. The state perhaps exercises more direct supervision over counties and school districts than over other units, and it gives them more direct financial aid, but all types of units are recognized as being agents of the state for local rule.

THE LEGAL LIABILITY OF LOCAL GOVERNMENTS

One of the most important legal differences between local units is to be found in their more or less limited legal liability for wrongs done to others through the negligence of local officers and employees. This is a subject of increasing importance, since the functions of government are increasing, and there are ever more points of contact between the citizen and his local government.

In general, cities and villages are held to be liable for the negligence of their employees in connection with so-called "private" functions (water supplies, gas and electric works, and similar utilities which the municipality may own and operate), and also in connection with a group of functions connected with the safe maintenance of streets, sidewalks, and drains and sewers. The purpose in holding municipalities liable in such cases may be regarded as

twofold: first, the innocent individual, injured through no fault of his own but as a result of the negligence of local officers and employees, should not be subjected to the unfair burden of paying all his hospital and doctor bills and other damages himself. The community as a whole had better bear the expense, as a matter of social justice. Second, being under liability to pay such damages in case of negligence, the municipality and its officers and employees will be more careful to give safe and efficient service, thus avoiding damage suits.

In general, counties, towns, and school districts are not under the same rules of liability as cities and villages. Their immunity from suit is largely a matter of historical development, but is today based mainly on the theory that the functions they perform are "governmental" and not "private." This distinction has been broken down as applied to streets, sidewalks, etc., in cities and villages, and the local units are held liable for their negligence in the premises, despite the fact that these are governmental services. Cities and villages are held liable as the result of an "illogical exception," but as the result of an equally illogical exception, counties and towns are exempt from liability even for the most serious negligence in maintaining their roads in safe condition.

These are only a few of the many points that are worthy of discussion in connection with this complex subject. The fact is that, because of the present illogical and often unfair rules, there is no redress for some of the most patent of wrongs, and the legislature is often called upon to enact special laws to permit particular local units to do the right thing.

This is not, of course, one of the most pressing subjects in connection with local governments. It is the kind of subject that can be put aside from time to time for later consideration. The day will probably come, however, when it will have to be faced, and an approach will be made to a fair solution of it through general state legislation. When that time comes, the legislature may well take as its guide the following provision in the state Bill of Rights:

Every person is entitled to a certain remedy in the laws for all injuries or wrongs which he may receive in his person, property, or character; he ought to obtain justice freely and without purchase, completely and without denial, promptly and without delay, conformably to the laws.

CHAPTER V

GOVERNMENTAL ORGANIZATION¹

For each of the 10,500 local units in the state there is a separate government—a principal governing board or council and a set of officers and employees to manage the affairs of the unit. The general forms in which these authorities are cast are in part very ancient, as in the case of some features of county, town, and city governments, but in other instances they are of more recent origin. School district forms, for example, are not of great antiquity, and the commission and council-manager plans of city government are still more recent.

In general the forms of local government in Minnesota have been copied from older states in the East. No particular form is a native product of this state. However, someone in Minnesota had to choose among forms at some particular time, and in most cases the legislature and those who presented bills to it for enactment made the choice. In 1849 the legislative assembly of the Territory of Minnesota copied the form of government for counties in the Territory of Wisconsin into the laws of Minnesota. In its principal outlines this general plan is the one that is in effect today. In 1858 the first state legislature, consulting the laws of several states, established the basic plan of town government which is still in use. From 1854 down to 1891 the legislature enacted a number of city charters without making any wide departures from plans then generally in vogue in the Middle West. Since 1898 a number of cities in the exercise of their powers of municipal home rule have done more to bring new ideas of municipal organization into effect than the legislature did in its first sixty years. School district governments, first established by legislative act in 1849, have undergone a number of changes, some of them of considerable importance.

¹On the subject matter of this chapter see also William Anderson, *City Charter Making in Minnesota* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 1, 1922), Ch. 1 and 3; Harvey Walker, *Village Laws and Government in Minnesota* (Publications of the Bureau for Research in Government, No. 6, The University of Minnesota Press, 1925); William Anderson and Bryce E. Lehman, *An Outline of County Government in Minnesota* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 7, The University of Minnesota Press, 1927), Ch. 3.

CONSTITUTIONAL PROVISIONS

The state constitution makes very few requirements with respect to the organization of local governments.² One wing of the constitutional convention of 1857 seriously discussed a proposal to set up a whole scheme of county government in the constitution. This proposal was rejected. In the final compromise between the two wings it was agreed to leave to legislative discretion practically all matters of county organization with one exception, already referred to—an exception that affects towns also. It was agreed that "Provision shall be made by law for the election of such county or township officers as may be necessary."³ This section, construed as a limitation on legislative power, seems to say that whatever officers are necessary in counties and townships must be elected. It was in general so interpreted, but even without it the legislature probably would have made such officers elective rather than appointive. Such action was in accord with the temper of the times. Reasons have already been stated for the belief that, since the adoption of the present provisions on special legislation relating to local government, this section no longer operates as a check on legislative power.⁴

Cities that adopt home rule charters are required by the constitution to provide, "among other things, for a mayor or chief magistrate, and a legislative body of either one or two houses"; and "if of two houses, at least one of them shall be elected by general vote of the electors."⁵ Despite this provision the legislature passed an act authorizing home rule cities to adopt the commission plan of government, in which the mayor is generally a member of the council or commission; and the city of Mankato adopted such a commission-plan charter. This charter was attacked in the courts as violating not only this provision but also that section of the constitution which says, "The powers of the government shall be divided into three distinct departments, the legislative, executive, and judicial; and no person or persons belonging to or constituting one of these departments shall exercise any of the powers properly belonging to either of the others, except in the instances expressly provided in this constitution."⁶ The Minnesota Supreme Court had no difficulty in determining that the latter section has no ap-

² See also the discussion in Chapter IV above.

³ Constitution of Minnesota, Article XI, Section 4.

⁴ See pages 55-59.

⁵ Constitution of Minnesota, Article IV, Section 36.

⁶ *Ibid.*, Article III, Section 1.

plication to local governments, and that the charter of Mankato was valid.⁷

This brief discussion of the principal constitutional restrictions on this subject has been inserted mainly to suggest that the present forms of local government are not clearly required by any provisions of the state constitution, and that changes in present forms, if really desired, are probably attainable through legislative action. This belief is also reinforced by the language of the provisions dealing with special and general legislation adopted in 1892 and discussed above, which expressly forbid the enactment of any special or local law "regulating the affairs of, or incorporating, erecting, or changing the lines of any county, city, village, township, ward, or school district, or creating the offices, or prescribing the powers and duties of the officers of or fixing or relating to the compensation, salaries, or fees of the same or the mode of election or appointment thereto"; but which expressly add that these prohibitions "shall not be construed to prevent the passage of general laws on any of the subjects enumerated."⁸ The provisions go on to clinch the power of general legislation: "The legislature shall provide general laws for the transaction of any business that may be prohibited by section one (1) of this amendment, and all such laws shall be uniform in their operation throughout the state."⁹

In the following pages are presented short descriptions and discussions of the principal forms of organization in towns, counties, villages, and cities. The discussion of school district organization is reserved for the chapter on education.¹⁰ The discussions are accompanied in a number of cases by organization charts showing the central framework or skeleton of the government. Such charts cannot possibly describe the intimate human relations which are present in any working organization and which to some extent change the form in practice from that laid down in the law. At the same time, the charts are helpful in showing the formal legal relations that exist.

TOWN GOVERNMENT¹¹

The highest governing authority of the town or organized township as a body corporate is the annual town meeting, in which all

⁷ State ex rel. Simpson v. City of Mankato, 117 Minn. 458, 136 N. W. 264 (1912).

⁸ Constitution of Minnesota, Article IV, Section 33.

⁹ Constitution of Minnesota, Article IV, Section 34.

¹⁰ Chapter XII, below.

¹¹ See Mason's Minnesota Statutes, Ch. 8.

legal voters of the town are entitled to participate. Following due notice by posting or by publication, or both, the meeting convenes by ten o'clock in the morning on the second Tuesday in March. The meeting is called to order by the town clerk, and a moderator is then chosen.

The powers of the town meeting are financial, legislative, and elective. It is the town meeting that votes the town taxes, determines the amounts to be spent on roads and other services, and

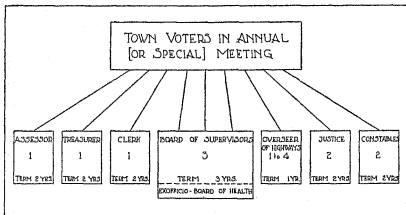


FIGURE 6. — TOWN GOVERNMENT IN MINNESOTA

authorizes the acquisition and conveyance of real and personal property for town purposes. It also enacts such by-laws pertaining to animals running at large and other matters as are authorized by the statutes. Finally, it elects or appoints the several officers provided for the town by law. The election is in practically all cases by ballot.

In each town the principal elective officers are the three supervisors, whose terms are three years each, overlapping, the treasurer, the town clerk, and the assessor, two justices of the peace and two constables, each elected for a two-year term but not all in the same year, and the overseer of highways, whose term is one year. These officers of the town are shown in the organization chart on this page. In addition, a few towns here and there report one or more of the following officers or employees: a poundmaster, a health officer, a weed inspector, a town hall manager, a deputy assessor, a deputy clerk. It is not clear whether these additional officers and employees are chosen in town meeting or are appointed

by the town board or by the superior officer directly concerned. They are to be found principally in a few towns of large taxable valuation, as on the Iron Range, or of large population, as in the vicinity of the Twin Cities.

Many towns of very small population, on the other hand, and others in which the population is indifferent to town activities, do not elect a full quota of the principal officers. Even when elected to town offices, many persons apparently do not qualify for them. Conversely, in some small towns it is reported that one person frequently holds more than one office. This is likely to occur where nonresidents pay most of the taxes, and the few residents find the small pay of the town offices a welcome supplement to their incomes.

In general the compensation of town officers either is paid on the per diem basis or comes in the form of fees. The assessor's pay is four dollars a day and mileage. The town supervisors and the clerk receive three dollars a day for necessary services, and the clerk also receives certain small fees. Town treasurers are permitted to retain two per cent of the moneys paid into the town treasury, with certain exceptions and within certain limits. The amount may not normally exceed one hundred dollars a year, and it is usually less than half of that.

If a town has a full quota of the ordinary town officers shown in the organization chart, it will have eleven. As a matter of fact, the replies received several years ago to a questionnaire sent out to all town clerks showed the average number to be less than ten (9.57). Ten is the most common number, and the number of towns having eleven is exceeded by the number having eight or nine, respectively. The offices of supervisors, clerk, treasurer, and assessor are nearly always filled. On the other hand, many towns have no constables and no justices of the peace, and about as many towns have only one justice or one constable, or one of each, as have the legal maximum of two of each. The great majority of the towns reported no overseers of highways, and of those which reported officers of this title, almost as many had four as had only one.

All told, in the year 1931-32 some nineteen thousand officers were serving the nearly two thousand towns of Minnesota. Constables and justices excluded, about twelve thousand persons handled the business and financial affairs of the towns, which amounted to between five and six million dollars. On the average one person in every fifty, or one person in every ten or twelve fami-

lies in the towns, held some town office. Moreover, the attendance at town meetings had shown some upturn as a result of the increased interest in taxes created by the depression. Town government, in short, is an institution that is very close to the people, one in which they have at the present time a very intimate interest, and which they will give up only with the greatest reluctance.

From an administrative point of view, the methods of town management do not, of course, reach the highest standard. The funds available and the tasks to be performed are so small that very few towns can afford either full-time trained workers or modern equipment. As a result a great deal of the work is necessarily done by rule of thumb. In a number of cases this is undoubtedly economical and sufficiently effective for the purpose. On the other hand, town governments have always been subject to criticism for their rather indifferent performance of some of their administrative functions, such as property assessment, road construction and maintenance, and public relief work, and for the almost complete neglect of such functions as public health and law enforcement. Where the welfare of the state as a whole is concerned, as in some of these functions, no one can in the long run deny the right of the state to work for higher standards.

VILLAGE GOVERNMENT¹²

Cities and villages present so much variety in their forms of organization that it would be impossible to explain the existing situation in detail. We may take certain large groups, representing considerable numbers of people, and describe the main features of the governments in each group.

The great majority of the villages of Minnesota are organized under either the law of 1885 or that of 1905. The two laws provide for substantially the same form of village organization, and our chart (see Figure 7) gives the essential points. While villages under other general laws, and under special laws, differ in details of organization, in general they conform to the pattern discussed here.

The reader may well be struck by the similarity on paper between town and village organization. The standard number of elective officers is the same, and the offices themselves, despite differences in title, are all but one essentially the same. The village chart has a mayor or president where the town chart has an overseer of highways. The village board or council normally consists of

¹² See *ibid.*, Ch. 9, and Walker, *Village Laws and Government in Minnesota*.

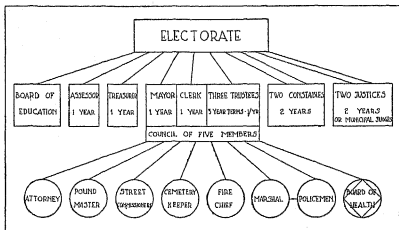


FIGURE 7. — VILLAGE GOVERNMENT IN MINNESOTA

five men, including the mayor, the clerk, and the three trustees, whereas the town board of supervisors has only three members. Finally, the annual town meeting is the real governing body of the town, whereas in villages, government is by the council. In the villages it is the council that passes ordinances, levies taxes, and approves the annual budget. The difference, in other words, is that which exists between direct democratic government and representative government. It exists because the law provides for the two methods, despite the fact that village populations average but little more than town populations and are in much better position to meet in annual and special meetings.¹³

Here is a point perhaps worthy of emphasis. Village government is, in a sense, almost as close to the people as town government. Although there is no annual meeting to direct the affairs of the village, the average area is so small that village voters and taxpayers can daily rub elbows with their local officers. Furthermore, in the average village with a full quota of officers, one person in every fifty or fifty-five will be an officer. Four local officers, the justices and constables, will have to do with justice and law enforcement, whereas seven of the eleven will be in some degree responsible for local finances and public services. No local resident would be likely to be without a personal acquaintanceship with some officers in each group.

¹³ Hibbing, Chisholm, and several other large villages are exceptional.

Other similarities between village governments, especially in villages of less than a thousand inhabitants, and town governments may be noted. Terms of office are short, in villages, and salaries are practically negligible. Except in the Iron Range communities, total municipal tax yields in villages of less than a thousand have recently averaged less than the town yields in all towns. Budgets are, of course, correspondingly small, and so are official powers and responsibilities, although these are larger than in towns. In any case, except for the utility engineer (in charge of the water and light department, where the village owns and operates an electric power system), the average village offers no one an opportunity for a career in public service. Specialization and expertness are bound to be rare in village government. Here, as in towns, there is no opportunity for modern budget-making, accounting, purchasing, and personnel procedures; and some essential social services such as health protection, welfare and relief work, police, and certain others, if not wholly neglected, are necessarily very limited. The resources of the village, in men and in money, simply do not permit anything better to be done.

It might be suggested that villages could do better if all the administrative work were placed in the hands of a village manager. For places of two thousand inhabitants and over, with substantial village budgets, and even for a few smaller villages with ample resources, the suggestion is probably a good one. There are several hundred villages, however, which in recent years could not have paid such a manager the modest salary of \$150 a month even if they had put all the municipal tax revenue into his salary, and almost as many more in which such a salary would have exhausted from 50 to 100 per cent of such revenue. In fact, unless one manager can serve two or more villages, or unless the village has water and light plants on a large enough scale to occupy most of one man's time, the full-time business manager is out of the question for the average village. If such an officer is employed, he is likely to have to be the village jack-of-all-trades, at the beck and call of everyone, rather than a business manager.

Larger villages, and many of the smaller cities, on the other hand, might profitably consider carefully the council-manager type of government, as described briefly here in connection with the government of Albert Lea. If general optional legislation can be procured, villages of appropriate size, as well as cities, would find it possible to introduce the business manager type of organization

without doing violence to the principle of complete popular control through the elected council.

CITY GOVERNMENT ¹⁴

It is when we consider city government, the local government of over a million of our people, that we find the greatest diversity in organization. Practically every American movement for changing and improving city government has left its traces in Minnesota. The so-called "strong mayor plan," the commission plan, and the council-manager plan of city organization are all represented here.

Mayor and council plan. — Most numerous still are those cities

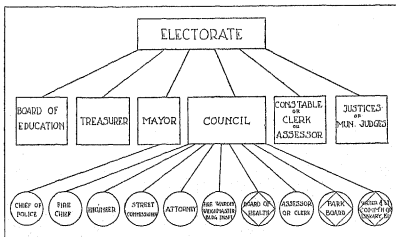


FIGURE 8. — A TYPICAL COUNCIL AND MAYOR GOVERNMENT

under mayor and council government in which the council rather than the mayor is predominant. Figure 8 is a chart of this type of organization. Certain differences between this plan and the village plan of organization should be noted. The council is usually somewhat larger than in villages, seven being the most common number, and the tendency is for members to be elected in whole or in part by wards. The mayor is usually a member and the presiding officer of the council, but is not always empowered to vote; he also commonly has the veto power in the usual American form. This limited separation of powers brings with it, of course, a good deal of fruitless bickering, and the council does not feel itself fully responsible for the local government. On the other hand, the number of elected

¹⁴ See Anderson, *City Charter Making in Minnesota*, Ch. 3.

officers is not, on the average, any greater in cities of less than 20,000 than it is in villages; hence that type of diffusion of responsibility is not greater in such cities.

The appointing power of the council is usually fairly extensive. Although the chief of police is commonly appointed by the mayor alone, or by the mayor with council approval, other officers, as Figure 8 reveals, are appointed by the council itself. Thus with a few exceptions the control of the local administration is rather effectively in the council's hands. One exception to be noted is the greater tendency in cities than in villages to delegate local services to the control of appointed boards. Such boards, with their own feeling of corporateness, their own statutory authority, and their continuity of existence due to the common practice of overlapping terms, are frequently far from being under council control.

Minneapolis, the largest city in this general group, will be more fully described below. Other cities in the group are generally of the fourth class, i. e., of less than 10,000 population. Although they are on the average four to six times larger in population and resources than the average village, they must still be classed as small places for purposes of modern administration. At best their budgets cannot be large, and they must contrive to perform their public services with small staffs of public servants, some of whom give only part time to the work.

We are not in position to pass judgment on the quality of the work they perform, but to the layman it would appear that they do their best work in providing water supplies, public buildings, streets and pavements, and fire protection, other services generally lagging behind these. Because the need and the resources are lacking, a full-time medical health officer, a full-time welfare official, or a full time assessor is scarcely to be found in such cities.

Strong mayor plan.—A few cities operating under the council and mayor plan have attempted a greater separation of legislative from administrative work, and have sought to make the mayor the chief executive in fact as well as in name. The plan they have adopted is sometimes called the "strong mayor plan" and sometimes the "federal plan," since to some extent it copies the form of the national government. The essential idea is that the mayor, elected by the voters, is almost wholly separated from the council; that he retains his veto power and acquires the authority to appoint all important municipal administrative officers. Thus the administration becomes centered in him. The council continues its

control over the annual budget and tax levy and over the passage of ordinances and the ordering of public work. Not having direct control over administration, it functions as a check or control upon the work of the mayor and his staff. Otherwise, for cities the size of those operating under this plan in Minnesota, the scheme is not much unlike the mayor and council plan described just above.

It appears, indeed, that the size and resources of the community and the nature of the services to be performed have a greater controlling influence upon the organization than a shift of appointing power from mayor to council or council to mayor. The mayor cannot, in such cities as we are discussing, become a permanent or full-time public official. Except in a very few posts it is impossible to develop a trained permanent staff of officers and employees or those modern methods of work which are required where public administration is on a large scale. For these and other reasons the brief discussion of the administrative handicaps under which other council and mayor cities must work applies also, in general, to the group of "strong mayor" cities.

Commission plan.—Twenty years ago a number of Minnesota cities of from 3,000 to 15,000 inhabitants sought improvement of their municipal organization and methods by the adoption of the commission plan. Duluth also adopted this plan, as did St. Paul and St. Cloud with important modifications. Our present interest, however, is in places ranging in size from Mankato and Faribault down through Eveleth, Hutchinson, and Glenwood, to Lake Crystal. Some of these cities have orthodox commission forms, with councils of five members, including the mayor, elected usually for two-year terms. As a group the five, with the mayor presiding, serve as the city council or commission. As individuals, each heads a department of the city administration. This represents a fusion of legislative and administrative functions in the same hands and a fairly complete unification of the government. This unification is not entirely complete, however, since the city administration is under no single head. Further, there is little if any more opportunity under this plan to develop a permanent, trained administrative personnel than there is under council and mayor plans. Men are voted in and voted out in a constant procession, and a certain number of amateurs are always "learning the ropes" in their departments.

Council-manager plan.—Anoka, Morris, and Pipestone, with essentially commission plans of government, have at times so combined administrative functions in the hands of one permanent em-

ployee as to make him a sort of "city manager." Three other cities, White Bear Lake, Columbia Heights, and Albert Lea, are definitely classed as having the "council-manager plan" of local organization. The organization chart for Albert Lea is shown herewith.

In this city, by charter provision, the council, which includes the mayor, has full control of the finances and policies of the city and of ordinance making, but is required to have the administrative work done under a city manager whom it appoints. He in turn selects and controls the administrative personnel and is responsible to the council for all that is done. The council may at any time

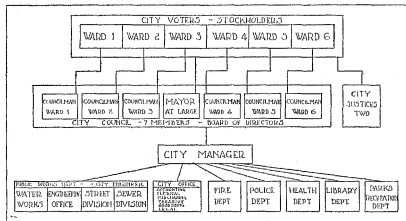


FIGURE 9. — ALBERT LEA COUNCIL-MANAGER PLAN

remove him, but as yet has never done so. The first man to be chosen as manager was selected, like a school superintendent, from another city, where he had had valuable training and experience in municipal affairs, and without regard to political considerations. Although there has been some political opposition, the manager plan appears to have worked very well in this city. The administration is unified and responsible, the personnel is competent, and the finances, public works, and other services of the city are well managed. At the present time the city of Albert Lea offers Minnesotans the best available example of how a business manager type of administration organization can be made to work in the public interest.

As we turn to consider the government of the three large cities we pass from the realm in which small populations and limited re-

sources make difficult or even impossible the building up of a trained permanent staff of public servants. Duluth with 100,000 inhabitants, St. Paul with nearly 300,000, and Minneapolis with nearly 500,000 are all more or less capable of providing municipal services according to modern administrative standards, economically and effectively. If they fail in any respect to attain this standard, they cannot ordinarily charge the result to lack of financial resources.

Duluth.—As stated above, the city of Duluth has the commission plan of government.¹⁵ The entire legislative and executive authority of the city is vested in the city council, consisting of the mayor and four commissioners, all of whom serve for four years. At one biennial election the voters choose the mayor and two commissioners; at the next they elect two commissioners. The mayor and commissioners receive annual salaries of \$4,500 each. The city's administration is divided into five divisions, namely, public affairs, finance, public works, public safety, and public utilities. To the division of public affairs has been assigned the control of public buildings, markets, and libraries, the work of charities and corrections, the inspection of weights and measures, buildings, plumbing, elevators, and wiring, and the enforcement of franchises. The work of the treasurer, the auditor, and the assessor, and all the handling of public funds, fall to the division of finance. The police, health, and fire departments, the inspection of milk, and sanitation in general come within the scope of the division of public safety. The division of public utilities manages the municipal gas and water supplies, the aerial bridge, and street lighting. The division of public works handles all street work and public improvements not otherwise assigned. Whenever any new member or members are seated, the council by a majority vote designates one of its members to have control of each department. The council legislates as a whole and also appoints a clerk, an auditor, an assessor, and an attorney after every general election. All other officials are appointed by the head of the division in which they fall. A civil service commission, consisting of three members appointed by the council for overlapping terms of six years each, makes rules subject to council approval for the selection, promotion, and management of the city's civil servants.

St. Paul.—The plan of government in St. Paul, which may be classed as a modified commission plan, is probably unique among

¹⁵ See any recent edition of the Duluth charter, adopted in 1912.

American cities.¹⁶ Elections are held biennially. At each election the voters of the entire city are required to elect for two-year terms a mayor, a comptroller, and six councilmen or commissioners. This number of elective officers necessitates a rather long ballot. The mayor and comptroller each receive an annual salary of \$5,000; the commissioners receive \$4,500. The mayor is a member of the council and ex officio president of it. He also has the veto power over its acts, but these may be repassed over his veto by four votes. When the new administration takes office every two years, the mayor assigns one member of the newly elected council to head each of the six large departments, namely, public safety, education, public works, public utilities, finance, and parks, playgrounds, and public buildings. Six months later the mayor may shift two or more of the commissioners to different departments, but thereafter he may make no reassignments. The mayor himself does not head any particular department, but is supposed to exercise a sort of co-ordinating influence, and he is empowered to remove nonelective officers and employees under certain conditions. Though his administrative powers are small and his position almost that of a supernumerary, he is in a place where he can exercise a good deal of influence on the city's policies.

St. Paul is unique also among Minnesota cities in that it has no board of education. Instead it has a sixth department, called the department of education, headed by one of the commissioners. The schools are part and parcel of the ordinary city government. The other five departments under the council are similar to, but not identical with, the five departments in the Duluth system. A difference in the department of finance should be noted: in St. Paul there is also an elective comptroller, who is perhaps the most important single member of the city government. It is the comptroller who keeps the city accounts. He makes out the annual budget, subject to the provisions of the charter and the approval of the council. The council, however, may not increase any fund by more than ten per cent beyond the comptroller's estimates, nor may it increase the total budget by more than three per cent above his proposals. In addition, the comptroller is the civil service commissioner for the city, for St. Paul has not the ordinary board of three civil service commissioners. Attention may also be called to the purchasing department and to the water board. The former is under a purchasing agent appointed by the mayor with the ap-

¹⁶ This charter was adopted in 1912.

proval of the council. The latter is composed of the commissioners of public utilities, finance, and public works, and is empowered to acquire, protect, and manage sources of water supply outside the city.

Minneapolis. — The largest city in the state has an old-fashioned mayor and council organization involving a number of complications and an unusual amount of governmental machinery.¹⁷ Municipal elections are held in June of the odd-numbered years. At each election the voters elect the mayor, the treasurer, the comptroller, one member of the council from each of the thirteen wards, two of the six elective members of the library board, two or three of the seven members of the board of education, one of the two elective members of the board of estimate and taxation, and four of the twelve elective members of the park board, besides municipal judges. Minneapolis voters have the longest municipal ballot in the state. The mayor is nominally the head of the city government. He appoints the superintendent of police, the civil service commissioners, four of the nine members of the city planning commission, and four of the seven members of the board of public welfare, all with the council's approval. He is an ex officio member of the board of estimate and taxation, the park board, the library board, the board of public welfare, and the city planning commission. He also has a veto power, but ordinances can be passed over his veto by a two-thirds vote of the council. All told he is a very busy man, but not overendowed with power.

The council, consisting of two aldermen from each of the thirteen wards, each serving for four years, controls some of the most important administrative branches of the city. It appoints the city assessor, attorney, clerk, and engineer every two years without being required to conform to any civil service regulations, and it also appoints the following officers, who after appointment are protected by civil service rules: a chief fire engineer, building inspector, gas inspector, purchasing agent, weigher, registrar of water works, superintendent of baths, and street railway inspector. It would require too much space to explain at length the organization and powers of the several boards and commissions. The partly ex officio and partly elective board of estimate and taxation has the

¹⁷ The Minneapolis charter is a compilation, including the old city charter of 1872 and numerous amendatory acts passed by the legislature down to 1919, which the city charter commission prepared and which the voters adopted in 1920 as a home rule charter. See Jessie McMillan Mardey, *The Minneapolis City Charter* (Publications of the Bureau for Research in Government of the University of Minnesota, No. 5, 1925).

important power of setting the maximum tax rate or total budget of each of the various spending authorities, and also of regulating and controlling the bond issues of the few which can issue bonds. This is practically the only board which in any degree centralizes the government of the city, and its power over school board finances was recently much reduced as the result of a Supreme Court decision. Everywhere else there is decentralization, resulting in overlapping of fields of work, frequent discord among the several independent authorities, and undoubtedly some inefficiency. Besides these organic difficulties, the charter contains a number of other exceedingly unfortunate details relating to tax limits, bond issues, street maintenance, and other matters.

COUNTY GOVERNMENT¹⁸

As one examines the county organization chart below, it is well to keep in mind that virtually all counties have the same govern-

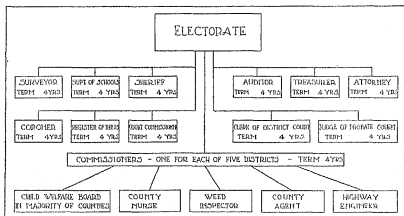


FIGURE 10.—COUNTY GOVERNMENT IN MINNESOTA

mental structure. Large and small, rich and poor, all must maintain the same officers, a county board, and, where possible, such agencies as child welfare boards. The constitutional requirement concerning the election of officers is in part responsible for beginning this somewhat complicated organization, but no doubt habit, tradition, and political pressure are in large measure responsible for keeping county government what it is.

¹⁸ See Mason's Minnesota Statutes, Ch. 7, and Anderson and Lehman, *An Outline of County Government in Minnesota*.

One great difficulty in the county is not revealed by the organization chart. A primary purpose of the state in establishing counties is to have a uniform type of agency for carrying out state laws and policy in every part of the state. The county is the agent of the state for providing courts, supplying officers of law enforcement, collecting taxes, registering deeds and titles, and fulfilling a number of other state functions. With this as its best justification the legislature has maintained a degree of direct control over county officers far beyond that which is exercised over other local units. In fact, in each county there are practically two county governments, the government of the county board and the government of the state legislature. Two masters divide the field.

Under fairly direct legislative control, and largely removed from control by the board, are the sheriff, the auditor, the treasurer, the attorney, the surveyor, the register of deeds, the coroner, the clerk of court, the court commissioner, and the judges of the probate and district courts. While these are elected by the county voters, they are not responsible to the county as a corporate body and as represented in the county board. The legislature determines their powers and their duties, the legislature fixes their terms, and the legislature sets their salaries and fees. The county board may not reduce their salaries or discipline or remove them. It may not force them to co-ordinate their work. Only the governor and the courts have any effective power over them, and the governor may remove them only for malfeasance or nonfeasance. This, then, is one side of the county government, the officers' side, and between it and the side of the county board the law has placed so wide and deep a moat that even politics and friendship cannot always bridge it.

On the other side is the county board with its control over the county highways and poor relief, and its more limited authority over the county building, the county fair, and other institutions. It is the board, of course, that enacts the annual appropriation measure, but it has practically no power over salaries, fees, court expenses, and a number of other items. Limited though its powers are, the board represents the major part of what powers of local self-government the county possesses.

At a time when the county had few functions to perform and very little occasion for public expenditure on a large scale, the disunity of the county organization was a less serious matter than it is today. During the past generation, however, there has been such an increase in the county's work and expenditures as to change the

situation notably. The county, which began primarily as an agent of the state for limited state purposes, has not only become burdened with additional state functions but has also been endowed with numerous local functions which it may exercise or not at will. Now, with enlarged functions and expenditures for both state and local purposes, has come the need for more integrated administrative and financial control; but no one in the county government has power to exercise this coordinating function. The organization continues to be divided, without central responsibility or integration, just as it was in simpler days.

In organization the county board is a small and wieldy body, consisting in all but two counties of five members. The "supervisor system," which prevails in county organization in Wisconsin, Michigan, and certain other states, and which in giving every town a representative on the county board results in memberships of thirty, forty, fifty, and even more, has not been used in Minnesota since 1858-60, when it was given a short trial. It is the verdict of those who have made special study of county government that under modern conditions the small board or "commissioner" system now in use in Minnesota is greatly to be preferred over the large board or "supervisor" system.

The present mode of election, by five commissioner districts comparable to wards in cities, is open to some criticism. The making and changing of district boundaries to keep the districts of approximately equal population is a cause of frequent difficulty. More important is the fact that the commissioners often come to think of themselves as responsible only to and for their districts, and not to the county as a whole. As a result it is credibly reported that in some counties the administration of road and poor relief funds is controlled by each commissioner in his own district, making a uniform, county-wide administration impossible.

While the county board is a fairly small body, the number of other elective officers is large. Some of them, like the coroner and surveyor, hardly seem to be of enough importance to call for popular election. The technical nature of the functions which these and other officers have to perform suggests also that popular election is not the best way of choosing them.

The four-year terms for which county board members and officers are now elected represent a considerable improvement over the previous arrangement by which some were elected for two and others for four years. A similar uniformity has not, however, been

introduced into the realm of county salaries—but that is a dark subject which will be discussed briefly elsewhere.

COMPLEXITY AND REFORM OF LOCAL ORGANIZATION

The foregoing descriptions of governmental organization in towns, cities, villages, and counties do not give a complete view of the situation. In cities and villages there are additional boards for parks, libraries, water, and public utilities, and in the counties child welfare boards, some poor boards, and a number of tuberculosis sanatorium commissions. The judicial machinery of counties, and the municipal courts and justices of the peace in cities and villages, must also be added to the picture. Finally there are the numerous school boards, to be described in Chapter XII. Other boards are listed in Appendix II.

A complete description of a single county would require an organization chart showing all the agencies of local rule at all levels—the county organization for the entire area, the town, village, and city organizations, numbering from twenty or thirty up to about a hundred, and the scores of school boards, rising to over two hundred in several counties. Lake County has now the simplest mechanism of local government to be found in the state: a county government, a county-wide school district, one city government (Two Harbors), and five town governments, or eight in all. Stearns, Polk, and Otter Tail counties stand at the other extreme, with 270, 288, and 361 local governments, respectively.

Other characteristics of the situation may be summarized briefly as follows: (1) an excessive use of the method of popular election as a means of filling public offices; (2) relatively short terms of public office, although this is no longer true in county governments; (3) an astounding degree of diversity in organizational forms, especially in cities and villages; (4) the inability of most local units, because of their small size and resources, to provide a trained, full-time staff of workers to support the efforts of the locally elective personnel; and (5) a considerable degree of disintegration, or lack of unity, in the organization of cities, villages, towns, and especially counties. This lack of centralized responsibility is one of the most serious defects of local government.

Local government in other states is not lacking in the same characteristics and defects, but it is a fair generalization that many other states have gone farther than Minnesota in the reorganization of local governments to meet modern needs. In particular, two

movements of nation-wide importance have had little influence as yet in this state.

One is the movement for the establishment of the council-manager plan in the larger cities. Albert Lea is the outstanding example of a Minnesota city with the council-manager plan of government, and it is a fair conclusion that the results in that city have justified the experiment. Taking the country as a whole, no class of cities has come through the depression better than or shown so much tendency to introduce modern money-saving and service-improving methods as the cities operating under this plan.

The other movement is that to establish business management in counties along the lines of the council-manager plan in cities. Counties in Virginia and California have led the way in this reform, but the largest county in Nebraska (Douglas County, including Omaha) has recently voted for the same plan, and there is evidence that it will spread further. The essential feature is that the voters elect at large a small county board, but not the whole present series of county officers. Instead, the board appoints as business manager one qualified person who appoints and controls the principal employees of the county and manages the business affairs of the county under the supervision of the county board. It is not necessary that all present elective offices, such as those of county attorney, probate judge, and sheriff, for example, be brought within this system, but it is important that all who have to do with finances, public works, and welfare be integrated into one organization.

CHAPTER VI

PERSONNEL IN LOCAL GOVERNMENT

The greatest statesmen in our own and in other countries, in ages past as well as in the present, seem to have recognized the need for good men in the public service. Three qualities of a general nature probably summarize the character we desire in the public servant. The first is honesty and integrity in the handling of public funds and property. Second, perhaps, come courage and initiative in the doing of what needs to be done for the public welfare, even at some personal risk and sacrifice. The third is competence, or ability, compounded of native ability, adequate training, and experience. No one expects perfection, of course. We cannot draw into the public service better men than there are in the community. But the high standards already in evidence in some branches of the public service give strong grounds for the faith that men can, by taking thought and action, very considerably improve the standards of service in branches of government not yet up to the level of reasonable public expectations.

Political practice has naturally shown great variations at different times and in different places at a given time. Public office has not always been considered a public trust. Spoils systems have arisen, under which men have been rewarded with public employment at public expense for services, often of a low and unsavory nature, to their parties. Such a spoils system is not confined to the United States; other countries have it as well, in varying forms and degrees. Among us it has not only developed and become strong in some localities and branches of the government; it has even been defended, and is still at times defended, by those who derive benefit from it.

A recent nation-wide inquiry into the problems of public personnel has resulted in an authoritative reaffirmation of the need for a competent, honest, and courageous public personnel. Those who made this inquiry traveled from coast to coast, held a number of public hearings, and took testimony from persons in nearly all stations of life. Their conclusions may be given in their own words.¹

¹ *Better Government Personnel* (Report of the Commission of Inquiry on Public Service Personnel, 1935), pp. 13-16.

The time has come in the history of America to adopt an entirely new public policy in the selection and appointment of men and women to carry on the day-to-day work of government. This is the overwhelming mandate of the American people in so far as the Commission of Inquiry on Public Service Personnel is able to judge from the million words or more of testimony which it has taken in public and private hearings in all sections of the United States. In the East and in the West, in the North and in the South, throughout the states, the cities, the counties, and the innumerable minor public jurisdictions, it is generally agreed by public officials and employees, by business and civic leaders, by labor officials, and by politicians, that the time has come for a new nation-wide program for the improvement of the quality of the personnel of government.

Under the American system, our governments, federal, state, and local, constitute a cooperative enterprise through which we endeavor to maintain freedom; sustain law, order, and property; protect the individual against exploitation; conduct essential public services, such as highways, water supply, fire protection, postal service, and sanitation; guard the public welfare through the promotion of health and the care of the sick, the handicapped, the poor, and the unemployed; conserve our national resources for the benefit both of the present and of the future; furnish and encourage universal education through schools, colleges, universities, libraries, and other agencies; cooperate with private individuals and associations for economic advance through the expansion of domestic and foreign markets, the improvement of agricultural and industrial practices, the study of practical and scientific problems, the protection of patents and copyrights, and the development of standards and standard practices; provide for the creation of corporations, and regulate those which deal with the necessities of life or are by nature monopolies; protect public health, decency, and morals with controls over child labor, hours of labor, wages, foods and drugs, alcohol and narcotics, medical and other practices, housing, and the use of land; create and regulate the banking and currency system; conduct foreign relations, and maintain our national independence.

During emergencies certain of these powers and services are greatly expanded: in time of war, to mobilize men and resources and protect the nation against the enemy; in time of flood, earthquake, fire, or drought, to prevent starvation, epidemics, or further destruction and encourage quick recovery; and in time of economic collapse, to feed, clothe, and house the destitute, find work for unemployed men, restore credits, start in motion again the complicated mechanism of our economic life, and lay broad plans so that the full energies of the nation, public and private, may work to the same constructive ends.

In brief outline, these are the responsibilities and work of the American national, state, and local governments today. Government is a cooperative enterprise exceedingly complicated and difficult, and supremely important to every one of us, rich or poor, employed or unemployed, wherever we live. We must have government to live, to work, to advance, to enjoy the fruits of our labor.

The success or failure of that government, and the kind of service which it renders, will rest in the last analysis upon the capacity and char-

acter of the men and women who constitute it. We must therefore maintain a governmental system under which the government attracts to the public service its full share of the capacity and character of the man power of the nation. This we do not accomplish in the United States under existing conditions. The American people know it, and demand a change, though they do not clearly see the way out.

From this point the commission goes on to outline a program for establishing a public personnel policy based upon career service in place of the present unsystematic, frequently political, in-and-out, non-career type of public service. The extent to which any such plan, and the criticisms of present arrangements on which the plan is based, are applicable in the local units of Minnesota is in part the theme of this chapter.

THE NUMBER OF LOCAL OFFICERS AND EMPLOYEES

The importance of the problem of public personnel in Minnesota is suggested by the fact that over one hundred thousand persons in the state normally hold public office or employment, not counting relief workers, casual and part-time workers, or employees of contractors doing work for the public, but including many board and council members who serve entirely without pay. Table 9 gives the numbers of state and local officers and employees.

TABLE 9. — NUMBER OF PUBLIC OFFICERS AND EMPLOYEES IN VARIOUS GOVERNMENTAL UNITS OF MINNESOTA, 1934 *

| UNITS | GOVERNMENTAL UNITS | ELECTED OFFICERS | APPOINTED OFFICERS AND EMPLOYEES | TOTAL OFFICERS AND EMPLOYEES | PERCENTAGE OF TOTAL |
|------------------------|--------------------|------------------|----------------------------------|------------------------------|---------------------|
| State | 1 | 266 | 11,306 | 11,472 | 11.0 |
| Counties | 87 | 1,396 | 2,400 | 3,796 | 3.6 |
| Cities | 95 | 1,087 | 11,815 | 12,902 | 12.4 |
| Villages | 637 | 6,000 | 3,575 | 9,575 | 9.2 |
| Towns | 1,929 | 18,460 | 250 | 18,710 | 18.0 |
| School districts | 7,721 | 24,900 | 22,169 | 47,069 | 45.4 |
| Total | 10,470 | 52,100 | 31,415 | 103,524 | 99.6 |
| Percentage of total | | 50.3 | 49.6 | 99.9 | |

* The figures in this table are of necessity partly estimated. The data on appointed officers and employees are from the Report of the Committee on Administrative Units, State Planning Board, November, 1934.

It will be noted that Minnesota has more elected officials than appointed personnel. In the local units alone there are 92,052 offi-

cers and employees, of whom 51,843, or over 56 per cent, are elective, and 40,209, or less than 44 per cent, appointive. The relative proportions of elective and appointive personnel are shown in Figure 11. Here the most striking contrast is between the state and the towns. The state, with 266 elective officers, including the legislators and the district and Supreme Court judges, has less than one-half of one per cent of the elective officers in the state, but employs over 11,000 persons, or 11 per cent of the appointive per-

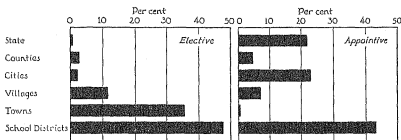


FIGURE 11. — PROPORTIONS OF ELECTIVE AND APPOINTIVE PERSONNEL IN MINNESOTA

sonnel. The towns, on the other hand, with 18,460 elective officers, have 35.4 per cent of all elective officers, but employ only about four-tenths of one per cent of the appointive public employees in the state.²

The contrast between large units, like the state, the three largest cities, and the three most populous counties, on the one hand, and the thousands of small rural school districts, towns, and small villages, on the other, is equally striking. In the large units, the appointive employees outnumber the elective officers many times. In the state the ratio is over 40 to 1, in the city of Minneapolis over 100 to 1 (if school teachers and employees are included), and in the other large cities and counties the ratios are almost equally striking. On the other hand, the typical rural school district supporting a one-room, one-teacher school has an elective board of three members to one teacher, and the typical town of small population with nine or ten officers elected at the annual town meeting has no appointed employees whatever, unless the overseer of highways actually employs someone else to drag and otherwise maintain the roads. In the smaller counties, also, most of the work will be done by the elective officers.

²In the total number of both elective and appointive personnel, the greatest differences are between the counties and the school districts.

THE SELECTION OF PUBLIC PERSONNEL

Broadly speaking, public servants in a democracy may be chosen by popular election or appointed by other officers, themselves either elected or appointed. The democratic theories which prevailed generally in the United States in the past century insisted upon the election of many rather than few public officials. Whereas in other countries, such as England, the voters generally elected only the members of legislative bodies—Parliament, city councils, and similar bodies—American voters insisted upon their right and their ability to elect administrative and judicial officers as well. Back of this was a widespread suspicion of public officers and of those whom they might appoint, and a feeling that only through popular election could officials be kept close to the people and subservient to their wishes.

The effect of this theory was felt to some extent in the national government, in that presidential electors and United States senators were finally made directly elective by the voters. In the state governments the effect was even more fully felt; a number of administrative officers in addition to the governor, and most judges in the state courts, became elective. But it was in local government that the democratic views of the times had their most complete victory. In Minnesota, as already stated, the original constitution adopted in 1857 provided for the election of all county and town officers and made practically any voter eligible for any local office. Although nothing was said to require the election of city, village, and school district officers, public policy and practice decreed the popular election of most of these also.

This particular theory of democracy, that virtually all officers should be elected, is not the only possible one, and it has not been adopted in other democratic countries. In this country, too, when it was discovered that the voters were unable to give the amount and quality of attention needed to make the best choices, and that in fact they were ratifying slates of partisan candidates put forward by political committees and so-called "machines," the whole theory began to be doubted. The voters themselves were bewildered by the long lists of candidates for the numerous offices to be filled and began to demand relief. The "long ballot" was subjected to severe criticism, and a nation-wide movement for the "short ballot" began.

The basic argument for the short ballot is based upon a distinc-

tion between "policy-determining" offices and offices that determine no important governmental policies, but call rather for incumbents with some administrative, technical, or judicial training and skill. It is reasoned that the voters will make better selections, and thus exercise a more real control over the government, if they choose only the important, policy-determining officers, and hold them responsible for the appointment and control of all others.

A rough classification of officers now elective in Minnesota would place them in the two groups as follows:

| <i>Units</i> | <i>Offices That Are Mainly Policy-Determining</i> | <i>Offices That Are Mainly Ad- ministrative, Technical, or Judicial</i> |
|------------------|--|---|
| The state | Governor, lieutenant governor, senators, and representatives | Secretary of state, auditor, treasurer, attorney general, railroad and warehouse commissioners, Supreme Court justices, district judges, clerk of the Supreme Court |
| Counties | County board members | Auditor, treasurer, county attorney, surveyor, sheriff, coroner, clerk of district court, probate judge, court commissioner, register of deeds, superintendent of schools |
| Towns | Supervisors | Clerk, treasurer, assessor, justices of the peace, constables, overseer of highways |
| School districts | Board members | None such now elected as a rule |
| Villages | Mayor or president and council members (trustees) | Clerk or recorder, treasurer, assessor, justices of peace, constables, a few others |
| Cities | Mayor and council | Treasurer, comptroller or auditor, various boards, and a few others |

If only policy-determining officers, according to the designation in this list, were to be elected, there would be a considerable change in the state ballot and a still more notable one in the county, village, and city ballots, as well as a great reduction in the number of officers elected by the annual town meetings. In the school districts, however, there would be practically no change. The present

reason for the large number of elective offices in the school districts is that there are so many districts, not that the districts elect other than policy-determining officers.

One may well raise the question, therefore, whether Minnesota does not make an excessive use of popular election in filling local offices. For many minor offices the method is a clumsy and expensive one. Besides the expense to the public, there is the expense to the candidate and his friends. In the long run, this must somehow be recouped. An equal amount of money spent on training those really needed for the posts might produce better results. Moreover, the elective process, with the campaigning and handshaking that go with it, does not always bring out the personnel that is most useful and effective in the public service. Candidates are more or less self-nominated. They seek the office; the office does not usually seek them. In times of extensive unemployment men seek local offices who would not ordinarily think of doing so; but in better times the candidates among whom the voters must make their choice are not so numerous, and it may sometimes happen that no one is really suited for the position. The uncertain tenure of elective offices keeps many men of ability from seeking them.

The effect of the campaign on the dignity of public office is not all good. It is hard for the public to dissociate the office from the officer. The man who made the campaign for it gives the office its tone and prestige or, very frequently, prevents it from having any particular respect in the community. This is one of the reasons why important judicial and law-enforcement offices probably should not be filled by popular election.

According to Minnesota law all local offices except those in towns and in most school districts, which elect at the annual meetings, are filled by a process of nomination and election in which ballots without party designation are used.³ In many other states, particularly in the East and South, both nominations and elections are generally partisan, and the ballots bear party labels. Under the Minnesota system, nomination for local offices is to a large extent self-nomination. As already stated, the individual puts himself forward; there is no formal party nomination or party responsibility, but in some counties candidates for judicial positions are put up in the first instance by local committees of the bar. At the final election there are only two candidates on the ballot for each office, a fact that helps to simplify the voter's choice and to promote ma-

³ Mason's Minnesota Statutes, Sections 294, 297.

majority rule. While it is hard to come to positive conclusions respecting the merits of any method of nomination or election, the results of the Minnesota method seem to be better, on the whole, than those obtained in the states where the partisan method is used. There is a somewhat wider range of initial choice in Minnesota, since many independents have a fairly good chance of nomination at the primaries, and those elected do not as a rule feel any obligation to the local party machine.

It is very probable, however, that appointment would in the long run produce somewhat better results in the filling of administrative, technical, and judicial offices than election does. To make all such offices appointive would of course necessitate some important changes in the structure of local government. The county board, for example, would become the real governing body of the county if it had the appointment of the county officers in its hands. There might well be a county business manager, and some consolidation of county offices. Similar changes would be introduced into city and village governments. All units would move toward the standard pattern of responsible government. The voters would elect the governing body and hold it responsible. The governing body would either appoint one business manager, who would appoint and control the heads of the various departments, or it would itself appoint a number of department heads, all of whom would report directly to it. A compromise between these two plans, in which the governing body would itself appoint some department heads and the business manager certain others, is also feasible.

Accurate data as to the number of appointive officers and employees now employed in the various local governments of Minnesota are not available.⁴ It is clear that the large cities are the largest employers, in the order of their populations, and that the three most populous counties come next, with Hennepin in the lead. Some of the cities in the Iron Range district also employ considerable numbers.

If we classify employees on the basis of work performed, the teachers lead all other classes in the local governments of Minnesota. They number more than half of the total number of local appointive employees. The numbers of teachers in recent years are officially reported as follows:

⁴ The following figures for 1934 are approximate: Minneapolis, 5,449; Hennepin County, 462; St. Paul, 2,892; Ramsey County, 225; Duluth, 897; St. Louis County, 534. Six other counties of fairly large size averaged 22 deputies and employees each.

| | 1932 | 1933 | 1934 |
|-------------|--------|--------|--------|
| Men | 3,082 | 3,223 | 3,407 |
| Women | 18,914 | 18,432 | 18,199 |
| Total | 21,996 | 21,655 | 21,606 |

Fire department employees seem to come next in the list, and police department employees, including sheriffs' deputies, are probably third. There is also a considerable body of janitors, clerks, and miscellaneous employees in the school systems of the state.

Data on public works employees, i. e., those engaged in the maintenance of streets, sidewalks, water and sewer systems, parks, and other works, if available, would probably put this group ahead of all groups other than teachers, although when volunteers are included, the number of firemen becomes considerable. One difficulty with the data on public works employees is that many such employees are seasonal workers who work only during the spring, summer, and fall months, and are frequently laid off even during this period. They do not, as a rule, have regular or contractual employment, as teachers, firemen, and policemen do. Another difficulty is that much public construction work is done by private contractors; hence workmen actually engaged in public work do not appear on the payrolls of the local governments at all.

Unlike several other states of the Union, Minnesota has no constitutional requirement that local governments must select their employees on the basis of merit, or by examination. In fact, the state itself, although a very large employer of many kinds of workers, has made no general provision for the merit system. There were several proposals before the 1935 legislature, and it is not unlikely that something will be done to establish a state civil service law in the near future.⁵ Obviously the state government should take the lead.

Teachers, the largest group of local government employees, are covered by the state certification laws. The statutes provide that "a qualified teacher is one holding a certificate or license to teach, as hereinafter provided, in the school or grade for which he is employed. Contracts for teaching can only be made with qualified teachers. Contracts made with persons before obtaining such certificates or licenses shall only be valid from the time of obtaining the proper certificate or license."⁶

⁵ A carefully drawn civil service bill received much support in the 1935 regular session, but was not enacted.

⁶ Mason's Minnesota Statutes, Section 2900.

The state superintendent of education, the state university, and the state normal schools are the principal teacher-certificating agencies and authorities in the state. Various grades of certificates are defined in law, and the requirements for obtaining them are laid down. The county superintendents, as well as the school boards and other superintendents, have a responsibility for seeing to it that only duly certificated teachers are employed. Thus a minimum standard of training and competence for teachers in the different classes of schools and in different grades is enforced. To encourage the ungraded elementary schools to employ teachers with first-grade certificates, the state aid laws allow a district \$50 a year more for each such teacher employed than for each teacher holding a second-grade certificate—the word “grade” here referring to the type of certificate held, not to the age of the children being taught.

For no other class of public employees in Minnesota is there any state-wide requirement like that for teachers, but certain scattered sections of the statutes, to be discussed below, are of some importance in setting standards for other positions.

The three largest cities are the only units of local government in the state that make general provision for the selection of their employees upon the basis of merit, as measured by examinations. The system was first established in Minneapolis by legislation; now all three cities have charter provision and supplementary ordinances and regulations. Together the three cities have normally over 9,000 employees, both classified and unclassified, not counting school department employees; more than half of these are in Minneapolis. Heads of departments, members of appointed boards, librarians, teachers, and supervisors in the schools are in general exempt from the civil service rules.

Under the Minneapolis charter a civil service commission of three members is appointed by the mayor with the approval of the council. Duluth has a similar arrangement, but appointments to the commission are made by the city council as a whole. In St. Paul the elected city comptroller is ex officio civil service commissioner, but the work is handled by a permanent chief examiner under his supervision.

The experience of these three cities with civil service administration has not been uniform. Informed opinion in all three cities regards conditions as distinctly better today than formerly, and would oppose any attempt to repeal the present charter provisions in order to return to the spoils system. At the same time the laws

have not always been effectively administered. From the beginning there have been those who opposed the merit principle, and in the face of this opposition it has not always been possible to obtain the right persons as commissioners, or to get adequate funds for conducting examinations or keeping proper personnel records. Rules have sometimes been waived without good reason, appointments have been made without examination, and other breaches of the merit principle have occurred.

In 1929 the legislature enacted two laws providing for the appointment of separate civil service commissions for firemen and for police in villages and in cities other than those of the first class, but leaving it to the local council in each case to decide whether such a commission should be appointed.⁷ The law provides that commissions are to consist of three members each and are to serve without pay. Already several cities and villages have taken advantage of this authorization.

Thus the merit principle of selection has already been extended to a small number of municipalities and to considerable groups of public servants. The germ of a merit system is to be found also in scattered provisions of the law relating to particular local offices. Thus, "at least one member of every local board [of health] shall be a physician, who shall be the local health officer and executive of the board."⁸ The county highway engineer "may be selected from a list of eligible, competent highway engineers or road builders, which list shall be submitted by the commissioner of highways upon request of the county board or when a vacancy exists. Said engineer shall not be required to possess any other qualifications than may be prescribed by the commissioner of highways."⁹ This is not clearly mandatory, but it has real possibilities. County agents for agricultural extension work must be suitable and qualified persons, appointed by the county farm bureau authorities in consultation with the dean of the Department of Agriculture of the University of Minnesota.¹⁰ Public health nurses of counties, cities, and other local units must be registered as nurses in Minnesota.¹¹

In other instances the law makes no statement concerning the qualifications of local officers and employees. This seems to be true in the case of welfare workers under county child welfare boards, most local librarians (although contractual joint municipal and

⁷ Session Laws, 1929, Ch. 57, 299; Mason's Minnesota Statutes, 1931 Supplement, Sections 1933-23 to 41 and 1933-43 to 63.

⁸ Mason's Minnesota Statutes, Section 5348.

⁹ *Ibid.*, Section 2569.

¹⁰ *Ibid.*, Section 6126.

¹¹ *Ibid.*, Section 5353-3.

school libraries seem to be under a different rule), and other local public servants.¹² Some positions, such as water and utility engineers in municipalities, probably could not be filled by any person without training or at least practical experience.

If our analysis is correct, it is in the towns, villages, smaller cities, and counties that the merit principle of selecting employees has made least headway. Towns have so few employees, and such relatively simple functions, that they could hardly be expected to have obtained legislation establishing appointment on the basis of merit or examination. Much the same can be said of the villages and the smaller cities. There is far less excuse or justification for the present condition in the counties. While it is true that some of the smaller counties have very few employees, others have a dozen, a score, or even more, and in the case of the three most populous counties the number of employees runs into the hundreds. In Hennepin and Ramsey counties, for example, where practically the same voters make up the city and the county, and where the city and county maintain joint buildings for city hall and courthouse purposes, the merit system prevails on the city side of the building and the spoils system or something very close to it on the county side.

County government in general is open to grave criticism for its failure to adopt modern and improved methods of administration, but in no field is the ground for criticism so clear as in the case of personnel methods. For this condition a number of explanations may be given. Probably the most important is the unintegrated plan of county organization. Each elected official appoints and removes his own employees, subject to little or no legal restriction. Appointments of clerks and deputies for political reasons, nepotism, and other practices not generally approved have been frequent in the county offices. Employees under the county board engaged in highway work, poor relief, management of county poor farms, and other activities are likewise appointed generally without examination or other public evidence of merit, and hold their positions almost wholly subject to the will of the majority of the board members.

It is true, as already stated, that most towns, villages, and small cities, and many of the smaller counties have such small numbers of employees that separate civil service commissions for each of them would be out of the question and wholly unnecessary. At the

¹² *Ibid.*, Sections 4457, 5005, 3030.

same time it would not be a matter of any great difficulty to provide the machinery needed for examinations. The municipal civil service authorities in Minneapolis, St. Paul, and Duluth could, for a little money and without great difficulty, arrange and conduct examinations for clerks, deputies, and practically all other classes of employees for the county governments. A joint city and county civil service authority in each of these places also is not impossible to conceive.

For other counties and smaller units the state will have to provide some aid. When once a state civil service commission has been established, it will be a matter of little difficulty to establish examinations for the different types of employment in county, city, village, and town governments, and to conduct such examinations for all units concerned at certain times throughout the year at central places in each section of the state, perhaps in each congressional district. No local unit would even have to give up its local residence rule for appointments. Separate eligibility lists could easily be provided for each county. Of course, if a local unit were willing to waive its local residence rule, it might frequently be able to employ some very competent person from another community when there was no local candidate of promise.

COMPENSATION PROBLEMS

A considerable number of public officers in Minnesota serve without compensation. School board members constitute the largest single body of unpaid officials in the state, but the members of library boards, park boards, water and light boards, health boards, child welfare boards, and other similar bodies, numbering many hundreds of members in the total, also serve without pay. In all these cases this is considered the best practice. It brings into the public service a great deal of the best ability and most unselfish zeal for the public welfare in the community. Wherever salaries are attached to such positions, there are always some who seek the positions for the sake of the pay. That is why it is unfortunate, even in special cases, to remunerate members of such boards.

Practically all other local officials in Minnesota receive at least a little compensation. The pay of some officers, especially in towns, villages, and cities, is so small that it can be no important inducement to any considerable number of persons. It amounts to only a small honorarium, or a little contribution toward necessary expenses.

A considerable number of local officials receive compensation only from fees. In this class are the justices of the peace and the constables in the towns and in many small villages, a group of whom there might legally be more than ten thousand in the state, but of whom there are in fact a considerably smaller number. The amounts involved seem not to be very large in the total, and certainly the separate fees for different services are small enough. In the more rural districts, constables and justices apparently receive very little for their services in any year, and the offices are of so little consequence from any point of view that many of them are not filled. In the vicinity of the larger cities there is more for justices to do, and more for the constables also. In regard to such areas the question of principle may well be raised whether any officer associated with the judicial system or with law enforcement should be compensated in proportion to the amount of work brought in.

The fee system in connection with certain county offices calls for separate analysis. In the three most populous counties practically all elected county officers except the court commissioners receive salaries, and usually where salaries are paid, any fees collected by such officers go into the proper county fund and may not be retained by the officer. Elsewhere the same county officers (registers of deeds, sheriffs, surveyors, clerks of the district court, coroners) receive small salaries but may retain part or all of certain fees that they collect. Court commissioners appear to be the only county officers who do not receive any salaries, depending wholly on fees. Such fees as a rule are small.

A study of miscellaneous revenues in local governments now being made will go more fully into the facts concerning fees.¹³ In principle the system of collecting fees for certain services performed by government can hardly be criticized, but the system of paying officials in proportion to the amount of fees they collect has hardly any defenders. In the largest counties practically all fees collected go into the county treasury and are available for any lawful use. The officers who collect them are paid regular salaries, graded roughly according to the value of the services but not proportioned to the fees collected. This would seem to be the correct principle for smaller counties as well. A sound policy of compensating for public services cannot be built upon the shifting sands of an ever

¹³ Arthur Borak and Gladys C. Blakey, *Fees and Other Non-Tax Revenues of Minnesota Local Units* (The University of Minnesota Press, 1935), prepared under the general supervision of Professor Roy G. Blakey.

fluctuating volume of fees collected. The difficulty of justifying the fee system becomes especially great when some county offices are upon a salary basis and others on a fee basis. A fee officer may be collecting far more than his services are worth as compared with the services of a salaried officer. In some years the fee officer may obtain very little, and be forced to engage in outside activities to make a reasonable living. In times of depression, when real estate transfers are relatively few, the fee income of the register of deeds is greatly reduced, while that of the sheriff in connection with tax sales and mortgage foreclosures may be largely increased. Such ups and downs in official compensation hardly seem to be good public policy.

The alternative to the fee system in county administration is obviously to put all county officers on regular salaries proportioned as nearly as possible to the importance, difficulty, and responsibility of the work to be done, with provision for moderate increases to officers of long experience and recognized ability. To carry out such a plan would require some new legislation covering the following points: 1. The turning in to the general county fund of all fees collected for services in any county office. 2. The enactment by the legislature of a new law providing for maximum and minimum salaries for the different county offices, according to the population of the county. 3. The vesting of the county boards with authority to adjust the actual pay up or down, within limits, according to classes and types of positions; to provide that new officers begin somewhere near the minimum for the class; to grant increases on some general principle for experience and proficiency; and to make percentage reductions or increases for all employees and officers, or all of a certain class, when reduced or increased revenues make such changes necessary or desirable. 4. The provision that the smaller counties should have fewer offices than the larger, through consolidation of certain types of positions, so that even small counties could afford to pay their officers reasonable salaries.

To carry out such a plan would require one thing more: that the legislature cease passing special salary laws applicable to particular offices in particular counties. This practice, which has grown to serious proportions, and which is probably unconstitutional, has destroyed all semblance of a consistent salary schedule for counties.¹⁴ Since the legislature as a whole does not really pass upon

¹⁴ See, for example, the county salary laws of 1925 listed in Table 8, pages 66-68.

the many county salary bills that come before it, the present practice in effect turns the power to fix county salaries over to the legislators representing the particular county. Without their consent, no salary bill for any county would ordinarily be passed. The county commissioners, who are elected to represent the county in local matters and who are responsible for the county budget and tax levy, are denied a power which they properly should have.

The legislature did at one time establish by law regular salary schedules for the principal county offices, making the salary broadly proportionate to the county's population. These schedules were somewhat too rigid; they did not set up minimum and maximum figures, nor did they allow for reasonable local variations. The suggestion here is not, therefore, to return to the old schedules, but to have a new study made of the whole problem and to enact an entirely new type of legislation.

The salaries of town officers, and of most village officers, are also broadly defined in the statutes. As to these salaries, the legislature has generally followed the practice of hands off, except that by general law it has sometimes shifted them up or down. The salaries paid by most cities, the larger villages, and school districts have been left more largely to local determination. Some cities have, however, fixed certain salaries rather inflexibly in their home rule charters.

No one knows the total amount spent on the salaries of local government officers and employees in Minnesota. School teachers' salaries are reported, and these have dropped from over \$29,000,000 in 1932 to a little over \$22,000,000 in 1934. In addition to these, certain amounts spent for the salaries of superintendents, supervisors, clerks, janitors, and miscellaneous employees, which probably raise the total figure for salaries in the public school system to approximately \$26,000,000. To this sum should probably be added about \$15,000,000, representing the compensation of all other local government officers and employees.

The rates of compensation are so various that no attempt will be made to summarize them here. The highest-salaried elected local officials are the county attorneys and judges of probate in Hennepin and Ramsey counties, who receive about \$6,000 a year each. Among appointed officials the highest paid are probably the superintendents of schools and parks in Minneapolis, whose present salaries range somewhat higher than the figure just named, but well under \$8,000. Certainly these are not extravagantly high, in

view of compensation received in private employments. Local governments in Minnesota have, if anything, been parsimonious in the matter of public salaries, even in better times.

The average salaries of certain large bodies of public employees, which are published, show a definite downward trend in recent years. The average monthly wage of men teachers in all districts outside of the cities of the first class dropped from \$173 in 1932 to \$136 in 1934; that of women teachers in the same districts, including a much larger proportion of teachers in rural ungraded schools, fell from \$112 to \$84. In the cities of the first class there have been equally striking decreases, and the range now is from \$211 for men teachers in Duluth to \$152 for women teachers in Minneapolis.

At the beginning of 1935 approximately the following rates of pay prevailed for certain large groups of employees in the three cities of the first class:

| | <i>Minneapolis</i> (per month) | <i>St. Paul</i> (per month) | <i>Duluth</i> (per month) |
|----------------------------------|---|--------------------------------|------------------------------|
| Policemen | \$140-\$170 | \$113-\$138 | \$117 to \$133 |
| Firemen | \$140-\$170 | \$113-\$138 | ..... |
| Stenographers ¹⁶ | \$63-\$120 | \$76-\$132 | \$75 to \$135 |
| Common laborers... | \$5.00 per day, council and board of education; \$4.00 per day, park board | \$4.45 per hour | \$5.50 per hour |

In view of present costs of living, these rates of compensation can in no case be considered extravagant. A time of depression is clearly no time to speak of large increases, but in the long run only reasonably good remuneration will bring into public service individuals of the quality desired. The St. Paul "fair wage" plan, under which remuneration is adjusted up and down with changes in the cost of living, represents at least one local effort to do justice both to the public servant and to the public whom he serves.

TENURE AND RETIREMENT

The public is coming to recognize that in addition to reasonable compensation the public servant is entitled to adequate protection in the tenure of his position and to certain provisions for his retirement.

Under a genuine merit system there is no fixed term of employment, such as one or two years, but rather appointment for an

¹⁶ The rate paid to secretaries was higher in a number of cases in all three cities.

indefinite tenure, subject to removal for proper cause. The purpose of such tenure conditions is to relieve the employee from the necessity of currying favor with political organizations in order to keep his position, thus leaving him free to give his best service without fear of unjust removal. Particularly if he is a person trained for his work, and one who has obtained his employment after examination in fair competition with others, it seems only reasonable that he should hold his position as long as his services are satisfactory. Only in this way can the various positions in the public service offer genuine careers to persons of ability.

It is possible, of course, to make tenure entirely too secure. This charge has been directed against certain provisions in the Minneapolis charter which have made it rather difficult to remove employees even when their services were not efficient. It is not impossible to break down the morale in any department where employees can hold their positions in spite of insolence, shiftlessness, or lack of attention to their duties. This particular danger must and can be avoided.

Except in the charters of the three cities of the first class, in the recent firemen's and policemen's civil service laws, and in the laws respecting teachers, little attention has been given in Minnesota to the problem of tenure of local employees. The so-called "teachers' tenure law" of 1927, applicable only in the three large cities, is an attempt to get away from the one-year contracts which obtain in most districts.¹⁶ This law provides for a probationary period of employment consisting of three years of consecutive service. "After the completion of such probationary period, without discharge, such teachers as are thereupon re-employed shall continue in service and hold their respective positions during good behavior and efficient and competent service and shall not be discharged or demoted except for one or more of the causes as specified in Section 6, and after a hearing as specified in Section 7." The act thus gives teachers in these three cities protection of tenure comparable to that enjoyed by state and municipal employees in places that have civil service laws. The future is likely to see the steady extension of this principle into new branches and units of our whole governmental system, national, state, and local. It is an indispensable principle in the establishment of career services in public employment.

Previous to the recent nation-wide movement for old-age pen-

¹⁶ Mason's Minnesota Statutes, Section 2935-1 to 14; Session Laws, 1927, Ch. 36.

sions, retirement systems covering many groups of both public and private employees had been established. The theory of public pension systems was that the actual pay in any branch of public service at any time was not a full remuneration for services rendered, and that pensions, besides being merely deferred compensation, would make public employment service more attractive to able persons than it would otherwise be. In establishing such systems, our legislatures also recognized in part the public's responsibility for the security of its own employees in their old age.

In Minnesota today a number of laws and city charter provisions provide for pensions for employees. The largest single group of employees is covered by the Teachers' Insurance and Retirement Fund, a state fund covering public school teachers in all places except in the cities of the first class.¹⁷ Separate laws provide for teachers, firemen, policemen, and other municipal employees in cities of first class. The legislature also provided in 1931 for a Municipal Employees' Retirement Association, to include employees in such counties, cities, villages, and school districts within the terms of the act as elected, by vote of their governing bodies, to come under the law.¹⁸ All employees at the time of such adoption were to have the option of coming in or staying out of the retirement association, but all who subsequently accepted employment from any local government that accepted the law were to be automatically included. Power was given to the proper authorities to make deductions from salary payments, and a state fund is to be built up in which each member has certain rights defined by law. The motive behind each of the laws has been much the same, and the principle of public pensions for local employees has been firmly established in the state.

A thorough analysis of the several existing laws and funds which provided for pensions for local government employees will some day have to be made, and it will require a good deal of time. When the time comes for a stock-taking, certain points, already fairly well known, will call for special study. First, the actuarial basis of most of the present laws must be examined. Some of them are of doubtful solvency, and in time either the claims of retiring employees will have to be scaled down or the state or the local units concerned will have to provide additional funds to pay the expected pensions. Second, the inequalities between the different sys-

¹⁷ Mason's Minnesota Statutes, Sections 2936-50.

¹⁸ Session Laws, 1931, Ch. 307; Mason's Minnesota Statutes, 1931 Supplement, Section 254-23 to 46.

tems, even in the same city, as in Minneapolis, for example, are such that they cannot be maintained indefinitely with justice to all employees concerned. Under some laws the employees have to contribute more, and the public less, than under others, while in some instances the claims of retiring employees are actually more where the employees themselves contribute less. Third, the relationship of all such systems to the general old-age pension systems now in effect in the state or to be enacted by Congress and the state legislature cannot be ignored.

Another problem of security for public employees arises out of the accidental injuries which they frequently suffer while in the performance of their duties, and the suits brought against them when, in doing their work, they cause injury to others. The present workmen's compensation law provides that the term "employer" shall include the "state, county, village, borough, town, city, school district, and other public employers," and that the term "employee" shall include "every person in the service of the state, or any county, city, town, village, borough, or school district therein, under any appointment or contract of hire, expressed or implied, oral or written, but shall not include any official . . . who shall have been elected or appointed for a regular term of office or to complete the unexpired portion of any regular term; provided, however, that sheriffs, deputy sheriffs, constables, marshals, policemen, and firemen shall be deemed employees within the meaning of this section."¹⁹ A further proviso is added to cover the cases of employees in home rule cities where a different method of compensation is provided by charter. In substance, the rest of the workmen's compensation act provides for compensating employees for injuries suffered in the performance of their duties. The enactment of this law was a distinct step forward for both public and private employees.

The second problem, that of protecting the employee against suits brought by persons who claim to have been injured by the employee while he was performing his duties or exceeding his powers as an officer or employee, is not yet adequately covered. The old "rule of law" which holds an officer, such as a policeman, personally responsible for any unlawful or negligent acts while performing his duties, has much justification in theory, but it puts a rather heavy burden upon certain classes of employees, who must provide for their own legal defense, whereas the municipality itself

¹⁹ Mason's Minnesota Statutes, Section 4326, Subsections d and g.

is held liable for the negligent acts of certain other employees, especially those not engaged in so-called "governmental services." Much of the old reasoning in favor of this distinction has lost its cogency, and many jurists now favor holding the corporation itself rather than the particular officer or employee responsible even in cases involving governmental functions. An officer under constant fear of suit is not likely to be very assiduous in performing his duties.

THE TRAINING OF LOCAL EMPLOYEES

It is in the field of education that some of the greatest advances have been made toward requiring training before entry into public work. For many years courses of training have been available for those who desire to become teachers; the state itself supports a number of teacher-training institutions, and through its certification laws attempts to make sure that only trained persons will be appointed in the public schools. Similar training has more recently been made available for superintendents and supervisors in the educational system.

Through the state university provision is also made for training in a number of other vocations and professions of importance to local government. Mention may be made of the training of lawyers, engineers, public accountants, public health officers, social workers, nurses, librarians, agricultural agents, chemists, and others. In a few of these fields there is also some sort of certification or formal admission to practice. Since it supports the training work itself, the state might be justified in requiring that local governments employ in these several fields only persons who have had an education at least equivalent to that given in its own university. Up to this time, however, except through its requirement that only persons "learned in the law" shall be district judges and Supreme Court justices, and that a physician shall be a member and executive officer of each local board of health, the state has quite generally left the selection of trained personnel largely to local discretion.

In addition to offering such training for certain professions prior to entry into public service or private, the state has in various ways begun to provide courses of training for those already in the service who need instruction or improvement in their work. Short schools for local assessors are held each year throughout the state by the Tax Commission. In addition, in recent years the League

of Minnesota Municipalities in conjunction with the Municipal Reference Bureau of the General Extension Division of the University has organized short courses or schools for firemen, policemen, electric inspectors, and other local employees. A proposal before the 1935 legislature to establish a permanent police school at the University was approved in principle, but no funds were provided for the school. Police schools in particular cities have, on the whole, been unsatisfactory. The possibility of increasing the amount of training for persons now in public employment through the extension work of the University is now being seriously considered. Important developments along similar lines are now coming in a number of leading states.

In this connection some mention must be made of the various associations of local government officers and employees. Various groups of county, municipal, and school district employees and officers are already well organized and active. They are, indeed, too numerous to be named here.²⁰ The associations of elective county officers are, on the whole, more interested in legislative matters than in the scientific and technical aspects of their work. The League of Minnesota Municipalities, on the other hand, and the various groups of educational, technical, and administrative officers and employees show more interest in increasing their knowledge of their work. Some of their annual meetings are of considerable educational value. Meeting and working together in their own organizations, the officers and employees also develop a sense of public responsibility and a morale which are all for the public good. Something like professional zeal and scientific interest can be developed in almost any organization of public employees interested in a particular public function. Purely selfish and political interests tend to drop into the background, especially among organizations of appointed officers and employees.

The modern ideal with respect to public administration, national, state, and local, requires that wherever practicable the public services be carried on by trained, career employees who give full time to their duties and receive reasonable salaries or wages for their work, as well as some security in their tenure and freedom from political and other selfish pressures. In a democracy such an ideal will probably not be attainable even in part unless two other

²⁰ See the list in Axel O. Rapp, "Analysis of State Associations of Public Officers and Employees in Minnesota" (M. A. thesis, 1935, filed in the Library of the University of Minnesota), and a somewhat shorter list in *Minnesota Year Book*, 1934, pp. 485-90.

conditions be met. One of these is that every young man and every young woman in the community, whether his or her parents be laborers, farmers, mechanics, clerks, or members of some more well-to-do class, shall be given equal opportunity, according to ability, to obtain public employment. This in turn requires that there be a common and free system of public education at least through the high school, with scholarships even up through the university for those who show outstanding ability but who cannot afford further education without such aid, and as nearly as possible equal educational opportunities for all. The other clear requirement is that the appointed employees who make up the expert technical and administrative staff shall be under the general control and supervision of other persons, elected by the voters in free elections to make up the boards and councils which represent the people in each unit of government.

Clearly, local government in Minnesota has not yet attained to the ideal stated above. Just as clearly, however, it is on the way toward something like that ideal. While there are lags and gaps in various parts of the system, there is much reason to hope for continuous improvement. If the democratic processes are themselves continued, public education will in time lead us on to an even better system of local administration than we now enjoy. A trained personnel is to a considerable extent the key to the whole problem.

PART II
LOCAL GOVERNMENT FINANCE

CHAPTER VII

REVENUES OF LOCAL GOVERNMENTS

The great increase in the services rendered by governments in recent decades has necessitated a corresponding increase in their revenues. It is neither convenient nor truly economical in modern society, especially in local units of large population or area, to have even local functions performed to any extent directly by the citizens themselves. The principle on which the unpaid volunteer fire department is based is not applicable to most services or in the larger units. Paid workers and equipment, materials, and supplies which can be had only for cash are necessities in all modern public administration. For these reasons all units of government need cash revenues adequate for their services, and need to have them come in fairly steady volume.

In theory a local government might obtain its revenues in a number of ways. It might engage rather widely in business—retailing, wholesaling, manufacturing, banking—and charge enough for its goods and services to yield a net profit by which it would support other services; but social policy, law, and experience are against this method in the United States. Or cities and villages, at least, might own and operate a more limited group of businesses, namely, those of a public utility nature—local bus and street car lines, gas and electric works, telephones, water and sewer systems, central heating plants, and some others—and charge rates that would yield a profit. In fact, one or more of these utilities are now owned and operated in many municipalities. Generally speaking, they are operated at about cost, but in some cases there is a deliberate policy of running them at a profit in order to have something left over for general municipal expense, police, and other services. If revenues from other sources become inadequate in the future, it is not unlikely that more municipalities will be forced to own and operate public utilities at a profit. There is also a limited possibility of local units obtaining more revenue from fees, licenses, and charges for services, as will be discussed later in this chapter. State and federal aid must also be considered.

STATE CONTROL OF TAXATION

At the present time, however, the principal source of local revenue in all states is taxation. No other source even rivals taxation in its importance.

The power to tax is the power of government to take into its own possession from each person within its jurisdiction, or from designated classes thereof, from time to time and according to some known rule of apportionment, such designated amounts of money or other wealth as the government legally determines to be needed for public uses.

This important and far-reaching power has been delegated by the constitution to the national government. It belongs also inherently to each state within its own jurisdiction. Local governments, being only creatures of the state, do not have this power inherently. They have it, if at all, only to the extent to which it has been granted them by the states.

This dependence of local units upon the state for their powers of taxation, and in fact for other powers of obtaining revenues, needs to be emphasized. A local government has not the freedom of the state legislature in discovering or devising new sources of revenue. The legislature needs only to stay within the constitutional requirements, especially that which says: "The power of taxation shall never be surrendered, suspended, or contracted away. Taxes shall be uniform upon the same class of subjects, and shall be levied and collected for public purposes."¹ Within these broad limits the legislature has power to enact new tax laws, such as the income tax statute of 1933 or a sales tax or any other tax that does not violate fundamental constitutional restrictions. Local governments, on the contrary, may in general tax only to the extent and according to the methods authorized by state legislation.

To this general statement there may be one important exception. Cities adopting home rule charters may provide therein "for the establishment and administration of all departments of a city government, and for the regulation of all local municipal functions, as fully as the legislature might have done" before the prohibition of special legislation. The language here quoted is itself a part of a legislative act, the home rule enabling law,² and is subject to

¹ Constitution of Minnesota, Article IX, Section 1.

² Mason's Minnesota Statutes, Section 1271. This section is itself based upon Constitution of Minnesota, Article IV, Section 36, and is intended merely to give effect to the constitutional provision.

change by the legislature at any time. How far it authorizes cities to provide for local methods of taxation has never been fully decided. The city of Duluth was upheld in 1916 in its levy of a wheelage tax under its home rule charter, although the tax was not expressly authorized by any statute, and in other cases the courts have held that a home rule charter is sufficient authority for the levy of special assessments.³ Whatever decision may finally be reached concerning the amount of home rule possessed by cities under home rule charters in matters of taxation, there is no doubt (1) that the legislature has power at any time to limit such powers by express act, (2) that most home rule cities assume that they have only such taxing powers as are authorized by statute, and (3) that other units of local government, such as counties and school districts, have no authority to define their own taxing powers. Legally, then, the question of methods and subjects of taxation for local governments is a question to be settled by the state constitution and by acts of the state legislature under it.

Practically, also, local units have very little choice among taxes and other sources of revenue. The legislature has authorized taxation upon property, both real and personal, and by long practice this has become for practically all units in Minnesota the principal source of local revenue. There is no custom or tradition favoring general business taxes, income, or sales taxes by local governments, and if a local unit tried to levy certain of these it would find its inhabitants evading them by moving out or by buying their goods elsewhere. Real property, on the other hand, cannot be moved to escape taxation, and hence it has been required to carry more and more of the burden of local support, until a reaction set in within the last few years.

Whatever changes in tax laws and tax policy are made by the proposed special session of the legislature in 1935, there can be no doubt that the property tax will continue to be the chief source of local revenue for some years to come. This tax calls for a more extended discussion, therefore, than any other. It must be discussed in its setting, however, as a part of the general state system of taxation, not as a thing apart. This will necessitate a brief summary view of the state tax system, and then a more detailed analysis of the different taxes as they affect local units. It will not be necessary

³ *Park v. City of Duluth*, 134 Minn. 296, 159 N. W. 627 (1916); *State ex rel. Oliver Iron Mining Co. v. City of Ely*, 129 Minn. 40, 151 N. W. 545 (1915); *In re Delinquent Taxes in Polk County*, 147 Minn. 344, 180 N. W. 240 (1920).

to describe all the different taxes in use in the state, since Professor Blakey's excellent volume *Taxation in Minnesota* describes them adequately, and is still sufficiently up to date.⁴

STATE AND LOCAL TAXES IN MINNESOTA⁵

The Minnesota tax system consists of the following groups of taxes:

1. *The classified property tax.*—This is a tax upon all real and personal property not exempt by law, or, more accurately speaking, a tax upon the owners of such property in proportion to the assessed value of their holdings. Assessors, mostly local, determine and list the "true and full" value of such property, but the taxes are levied only on certain percentages of this value, called assessed values, to be explained later. Rates for the state tax on property are determined by state officials and certified to the county auditors. Rates for the county and for the local units in the county are determined by the county auditor on the basis of the corresponding levies, which are fixed in amount by local governing bodies.

2. *Locally collected and state-shared taxes.*—This group includes the money and credits tax, the mortgage registry tax, and the tax on joint-stock land banks. The total yield of these taxes is relatively small, as is shown in Table 10. These taxes are collected by the county treasurers, and the proceeds are allocated one-sixth to the state, one sixth to the county in which collected, one-third to the towns, cities, and villages in which collected, and one-third to the corresponding school districts. The gross earnings tax on trust companies, relatively unimportant, also falls in this group although the distribution is somewhat different.

3. *State-collected and locally shared taxes.*—The least important of these is the vessel tonnage tax, which is divided equally between the state and the counties in which the vessels are owned. Also relatively unimportant from the local point of view are the insurance company and fire marshal taxes. These go mainly to the state, but a small part is allocated to cities and villages having organized fire departments. More important, as a rule, is the inheritance or estate tax, of which 90 per cent goes to the state and 10 per cent to the counties. Outranking all others in this group in yield is the gasoline tax, of which two-thirds goes to the state trunk high-

⁴The University of Minnesota Press, 1932.

⁵For the constitutional provisions see mainly Constitution of Minnesota, Article IX; for the statutes, see Mason's Minnesota Statutes, Ch. 11.

TABLE 10. — DISTRIBUTION OF STATE AND LOCAL REVENUES DERIVED FROM TAXES FOR THE YEAR 1933, PAYABLE IN 1934

| SOURCE | REVENUES RECEIVED BY THE STATE | REVENUES RECEIVED BY ALL LOCAL UNITS | TOTAL |
|--------------------------------------|---|---|---------------|
| Classified property | \$17,815,913 | \$91,477,425 | \$109,293,338 |
| Money and credits | 207,613 | 1,038,051 | 1,245,664 |
| Mortgage registry | 20,079 | 96,403 | 116,482 |
| Trust companies | 2,500 | 15,515 | 18,015 |
| Vessel tonnage | 13,689 | 13,689 | 27,378 |
| Insurance companies | 1,571,089 | † | 1,571,089 |
| Fire marshal | 37,644 | | 37,644 |
| Estate (inheritance) | 1,081,171 | 120,130 | 1,201,301 |
| Gasoline | 6,676,571 | 3,338,286 | 10,014,857 |
| Gross earnings | | | |
| Railroads | 3,948,443 | 5,000 | 3,953,443 |
| Telephones | 712,561 | | 712,561 |
| Express | 26,231 | | 26,231 |
| Sleeping cars | 22,970 | | 22,970 |
| Freight lines | 95,925 | | 95,925 |
| Telegraph | 44,795 | | 44,795 |
| Mining occupation | 990,653 | | 990,653 |
| Iron ore royalties | 335,602 | | 335,602 |
| Motor vehicle | 6,252,500 | | 6,252,500 |
| Grain in elevators | 52,131 | | 52,131 |
| Liquor stamp | 919,597 | | 919,597 |
| Liquor licenses, labels, etc.* | 154,694 | | 154,694 |
| Chain store | | 221,087 | 221,087 |
| Income tax | | 1,055,909 | 1,055,909 |
| Total | \$40,982,371 | \$97,381,405 | \$138,363,866 |

* Figures from reports of the state auditor and the state treasurer based on the fiscal year 1933-34.

† See Table 13 below, and footnote.

way fund and one-third to the county road and bridge funds. All these taxes are collected mainly by the state treasurer. The county treasurer handles the larger part of the inheritance tax in the first instance, but the attorney general controls the collection to a large extent.

4. *State-collected taxes used entirely or almost entirely for state purposes.* — In this group are the tax on telegraph companies, levied on the basis of value, and the gross earnings taxes on railroads, sleeping car companies, express companies, freight line companies, and telephone companies. These are so-called "lieu" taxes, that is, the properties which pay them are exempt from ordinary property taxes. The occupational tax on iron mining, the iron ore royalties tax, and the motor vehicle tax also fall in this group. These are among the most productive of all taxes for state purposes. To this group the special session of the legislature in 1933-34 added a new

tax or group of taxes, namely, those on the manufacturing and wholesaling of alcoholic beverages in the state.⁶

5. One minor tax is *locally collected for state purposes*. This is the so-called "bushel tax" on grain in elevators. The yield is small.

6. *State-collected taxes used wholly for local purposes* appeared in the enactments of the legislature at its regular session in 1933. One of these is the income tax,⁷ the other the chain store tax.⁸ Both will be discussed later.

Table 10 makes it possible to visualize these various taxes and to see how they affect the state and its various local units. This table reveals several facts with particular clarity. 1. The total reve-

TABLE 11. — DISTRIBUTION OF LOCAL TAX REVENUES IN 1934

| SOURCE | COUNTIES | SCHOOL DISTRICTS | CITIES AND VILLAGES | TOWNS |
|----------------------------|--------------|------------------|---------------------|-------------|
| Classified property | \$21,175,776 | \$34,796,611 | \$30,985,105 | \$4,519,932 |
| Money and credits | 207,611 | 415,220 | 391,928 | 23,293 |
| Mortgage registry | 19,281 | 38,561 | 38,561 | |
| Trust companies | 3,591 | 5,902 | 5,255 | 767 |
| Vessel tonnage | 13,689 | | | |
| Estate (inheritance) | 120,130 | | | |
| Gasoline | 3,338,296 | | | |
| Railroads | | | 5,000 | |
| Chain store | | 221,087 | | |
| Income tax | | 1,055,909 | | |
| Total | \$24,878,364 | \$36,538,200 | \$31,425,849 | \$4,543,992 |

nuces of the state derived from taxation amount to more than 40 per cent of all local tax revenues. This is a point not usually made clear, since it is customary to publish only the figures for the classified property tax. 2. Obviously the state has retained for itself most of the revenue derived from the numerous special taxes on business and property. It obtains about two-thirds of its revenue from such sources and less than one-third as a rule from the ordinary property tax. 3. Local governments are obtaining practically all their tax revenues from the ordinary property tax. 4. The income tax, collected by the state and allocated entirely to school districts, is the first important state-collected tax to go entirely to the local governments.

Table 11 shows the revenues of local governments derived from taxation, as distributed to the various classes of local units, in the year 1934.

⁶ Extra Session Laws, 1933-34, Ch. 46, 58.

⁷ Session Laws, 1933, Ch. 405.

⁸ *Ibid.*, Ch. 213.

A complete and accurate view of the local revenue situation can be had only if the non-tax revenues are included along with those derived from taxation. No state authority is charged with the responsibility of collecting the data on non-tax revenues, and it is particularly difficult to get an accurate measure of them. The United States Bureau of the Census has published such figures for

TABLE 12. — REVENUE RECEIPTS OF STATE AND LOCAL GOVERNMENTS IN 1931 *
(000 omitted)

| REVENUE | STATE GOVERN- MENT | COUN- TIES | CITIES AND VILLAGES | SCHOOL DIS- TRICTS | TOWNS | TOTAL |
|--|--------------------------|---------------|---------------------------|--------------------------|---------|-----------|
| Total taxes | \$40,936 | \$27,770 | \$45,194 | \$27,348 | \$7,174 | \$148,422 |
| General property .. | 9,921 | 24,156 | 43,863 | 27,348 | 7,158 | 112,446 |
| Inheritance | 1,594 | 234 | ..... | ..... | .... | 1,828 |
| Other special | 102 | 323 | 140 | ..... | 4 | 569 |
| Licenses and permits | 29,519 | 3,057 | 1,191 | ..... | 12 | 33,579 |
| Special assessments | 55 | 2,975 | 5,713 | ..... | 5 | 8,748 |
| Fines, forfeits, and es- cheats | 114 | 234 | 372 | ..... | 1 | 721 |
| Subventions and grants | 5,757 | 7,351 | 3,607 | 9,222 | 43 | 26,040† |
| Donations, gifts, and pen- sion assessments ... | 1,140 | 2 | 647 | ..... | 13 | 1,811 |
| Highway privileges, rents, and interest | 6,786 | 360 | 1,861 | ..... | 4 | 9,011 |
| Earnings of general de- partments | 5,781 | 1,665 | 1,599 | 2,014 | 126 | 11,185 |
| Earnings of public service enterprises ..... | ..... | ..... | 10,918 | ..... | ..... | 10,918 |
| Total | \$60,578 | \$40,337 | \$69,071 | \$38,584 | \$7,366 | \$216,856 |
| Per capita | \$23.46 | \$15.63 | \$43.37 |‡ |‡ | \$83.99 |

* Data on the schools of Minneapolis and St. Paul are included with the data on cities and villages.

† This item includes \$5,757,288 in federal aid to the state. The rest of this amount is mainly a duplication, since taxes raised by the state and granted to local units as state aid are counted twice. A deduction of about \$20,000,000 from this item and from the final total is necessary to make the total revenue figures approximately correct.

‡ Not computed.

the year 1931, and while these are a little out of date, and follow a classification peculiar to the Census Bureau, they help to throw some light on the situation. (See Table 12.)

This table, although open to certain minor corrections in addition to the important ones mentioned in the footnotes, brings out some significant points. If the deduction of about \$20,000,000 mentioned in the second footnote is made, total revenue receipts are about \$196,000,000. Taxes other than special assessments account for about 75 per cent of the total; special assessments make up a

little over 4 per cent; and all other revenues amount to approximately 20 per cent. General property taxes make up 57 per cent of the total of all revenue receipts. In towns the general property tax accounts for about 97 per cent of all revenues, but the state government in 1931 obtained less than a sixth of its total revenue from this source.

School districts obtained nearly a quarter of their revenues from subventions and grants, and counties more than a sixth of theirs. School districts had the least diversified revenue system; they received practically all their revenues from three sources: the general property tax, state aid, and earnings of departments. Cities and villages received the total earnings of public service enterprises, a substantial sum, and they also received more than other units from special assessments.

LOCAL GOVERNMENTS AND THE GENERAL PROPERTY TAX

The original revenue system of state and local units in Minnesota was one in which the general property tax seems to have sufficed for practically every need. "All taxes to be raised in this state," said the original constitutional provision, "shall be as nearly equal as may be, and all property on which taxes are to be levied shall have a cash valuation, and be equalized and uniform throughout the state."⁹ This seemed to require that all taxes be levied in proportion to the value of property, and even special assessments could not be levied without an amendment to the constitution.¹⁰

From the relatively simple tax system of that day there has been continuous change in the direction of complexity, that is to say, toward the broadening of the tax base. Whenever the ordinary property tax was found inadequate to make some particular type of property or business or privilege pay what the legislators thought was a fair proportionate share of the taxes, some means was found, either by constitutional amendment or by statute, to subject it to a special tax. From the beginning of the state's history there have been frequent constitutional amendments for this purpose, so that today the gross earnings tax on railroads, the motor vehicle and gasoline taxes, the tax on the occupation of iron mining, and others are embodied in the state constitution. Since the adoption in 1906 of the so-called "wide-open" tax provision, quoted in part on page

⁹ Constitution of Minnesota, Article IX, Section 1 (original form).

¹⁰ Amendment of 1869 to Article IX, Section 1; see also present Article IX, Section 1.

122 above, there has been much less need for constitutional amendments to change the tax system, but for other reasons to be stated, amendments are still proposed and adopted from time to time. Many recent changes in the tax laws are embodied in ordinary statutes.

For each new type of tax that has been enacted, some cogent arguments and reasons can be given. The ordinary property tax was powerless to reach at all the privilege of transferring property by gift or bequest, and so an inheritance tax law was enacted. Some kinds of property were entirely too easy to conceal from the assessor, and the incentive to concealment was strong where tax rates were high. For this reason, money and credits and mortgages were taken out of the ordinary property tax system and were subjected to special taxes at fixed, low rates. A state-wide interest in a valuable but diminishing resource, iron ore, suggested a tax for state purposes upon such ore in addition to ordinary taxes. The difficulty of getting fair and accurate local assessments of railroads, telegraph and telephone systems, and other state-wide utilities justified putting these in special classes to be taxed on a different basis from other property, and by the state as a whole. The desire for a state trunk highway system, coupled with the current demand that automobile owners and users pay for them, suggested the use of special state-wide taxes upon automobiles and gasoline for highway support.

The defects in local assessments in some of these cases may be admitted, and the inequality of local tax burdens will hardly be denied. But two things tended to occur in connection with the adoption of these new special taxes to which local authorities made objections. On the one hand the state tax was in some cases levied in lieu of all other taxes, so that the local governing bodies could not levy any additional tax upon the same thing; and on the other hand the state tended to hold for itself most or all of the revenues derived from the tax. In Table 13 are listed the principal state taxes to which objection has come from local authorities.

The state can, of course, justify its retention of the revenue from these taxes on several grounds. Its own services have been increasing, and the demands upon it for further services have not abated. It must have ample revenues itself. The services it renders and the facilities it provides, such as trunk highways, the teachers colleges and the University, state institutions, and others, are of benefit to the whole state. Much of its revenue the state returns to

TABLE 18. — SPECIAL STATE TAXES AND THEIR EFFECT ON THE LOCAL TAX BASE

| SUBJECT OF TAX | NATURE OF TAX | PRO-PORTION PAID TO STATE | MAY LOCAL UNIT TAX SAME SUBJECT? | LEGAL CITATION |
|--------------------------|---------------------|---------------------------|----------------------------------|---|
| Telegraph companies | Property tax | All | No | Mason, Sec. 2284 |
| Grain in elevators | Bushel tax | All | No | Mason, Sec. 2352 |
| Sleeping car companies | Gross earnings | All | No | Mason, Sec. 2278 |
| Express companies | Gross earnings | All | No | Mason, Sec. 2268 |
| Railroads | Gross earnings | All* | No | Mason, Sec. 2246 |
| Freight lines | Gross earnings | All | No | Mason, Sec. 2272 |
| Telephone companies | Gross earnings | All | No | Mason, Sec. 2286 |
| Insurance companies | Gross earnings | Major part † | No | Mason, Sec. 3347 |
| Fire insurance companies | Net premiums | All | No | Mason, Sec. 5973 |
| Iron ore | Royalties | All | No | Mason, Sec. 2392-13 |
| Motor vehicles | Registry license | All | No, except wheelage taxes‡ | Constitution of Minnesota, Art. XVI, Sec. 3; Mason, Sec. 2674 |
| Gasoline | Per gallon | 2/3§ | No** | Mason, Sec. 2720-22 |
| Inheritance | Excise on transfers | 90 per cent | No | Mason, Sec. 2296 |

* It should be noted here that the gross injustice which resulted to such communities as Two Harbors, where much railroad property is concentrated, in proportion to the value of other property, was in part corrected by a special school aid law first enacted in 1921. Mason's Minnesota Statutes, Section 3036-1 to 3. This aid is hedged about by several restrictions, however; it is limited in amount; and it extends only to school support and not to other local services. A similar special aid law to assist school districts which embrace much public property owned by other municipalities was also enacted in 1921, but appears to be of little consequence. Mason's Minnesota Statutes, Section 3036-4, 5.

† Out of this tax, cities and villages that maintain fire departments receive the amount of the net tax collected from fire insurance companies within their limits, and within the limits of each municipality and town served under contract, for use in (1) relieving sick and injured firemen or disabled members of the department, and their widows and orphans; (2) for the equipment and maintenance of such department and for the construction, acquisition, or repair of buildings, rooms, or premises for fire department use; and (3) for payment of fees, dues, and assessments in the Minnesota State Firemen's Benefit Association. Mason's Minnesota Statutes, Sections 3723-26, as amended by Laws, 1920, Chapter 165, and Laws, 1935, Chapter 280. The amount thus returned to the municipalities is normally well under 15 per cent of all insurance company taxes. Compare Table 10 above, and Table 27 on page 206.

‡ Local wheelage taxes may not exceed one-fifth of the state tax on the same motor vehicle. Mason's Minnesota Statutes, Section 1901.

§ Originally all the gasoline tax revenue went to the state and was used exclusively on the trunk highway system. By a constitutional amendment adopted in 1928, one-third of the proceeds of the gasoline tax must be placed in the state road and bridge fund and be allocated to the counties as in the case of other such funds. Mason's Minnesota Statutes, 1931 Supplement, Section 2720-88 to 99.

** The pertinent provision respecting the taxation of gasoline is as follows: "The tax herein provided for shall be in lieu of all other taxes imposed upon the business of selling or dealing in gasoline, whether imposed by the state or by any of its political subdivisions, but shall be in addition to all ad valorem taxes now imposed by law; provided, however, that nothing herein contained shall be construed as prohibiting the governing body of any city or village of this state from licensing and regulating such business wherever authority therefor is or may hereafter be conferred by state law or city or village charter." Mason's Minnesota Statutes, Section 2720-89. Apparently gasoline in storage on May 1 each year is locally taxable under the usual rules as to personal property, at 33 1/3 per cent of its full value. Mason's Minnesota Statutes, Section 1993. Whether a city or village could impose a distinct tax on filling stations and pumps under the proviso as to "licensing and regulating" is questionable under present statutes.

the localities in such forms as state aid for schools. Finally, the more of its revenues it can obtain from special taxes the less it has to take from the ordinary property tax on which the local units depend.

At the same time, the effect upon the local tax base is a very serious matter. Large properties in many municipalities are known by the local taxpayers not to pay any local tax. There are several communities in which over 50 per cent of the value of all local property is owned by railroads, yet such property does not appear on the local tax lists. This situation became so serious in several places that the legislature was forced, in fairness, to make a special return of part of the gross earnings tax to these communities.¹¹ No similar adjustment has been made in the case of other properties, companies, and privileges on which taxes are paid directly to the state. Even the authority conferred upon local units to levy wheelage taxes on locally owned motor vehicles is made practically ineffective by the fact that the state tax is itself so high that motorists would strongly resist any additional tax, whereas if the state tax were lowered the limitation of the local wheelage tax to one-fifth of the state tax would make the local revenue from each car so small as to be hardly worth collecting.

Because they have not been assessed as ordinary property, the figures on valuations of railroads, telegraph and telephone companies, motor vehicles, and other properties not now subject to local taxes are hard to obtain, and are not precisely comparable with the figures for other property.

The following tabulation gives some idea of these valuations, however. The figures represent the estimated full value of properties not subject to local taxes.¹²

| | |
|-------------------------------------|----------------------|
| Railroads (end of 1933) | \$548,722,000 |
| Telephone systems (1929) | 70,172,000 |
| Telegraph systems (1932) | 1,932,000 |
| Sleeping car companies | 1,000,000 |
| Express companies (1931 cost) | 51,323,000 |
| Freight line companies | 2,000,000 |
| Automobiles and trucks | 140,000,000 |
| Total | \$816,159,000 |

¹¹ See Chapter X on state aid.

¹² These figures must be used with care. The figures for railroad, telephone, and express companies are based upon valuations made for rate-making rather than for taxpaying purposes; the round numbers for sleeping car and freight line companies are simply guesses; and the figure for automobiles and trucks is based upon the

The contention of the local authorities is that they must provide highways and streets, police and fire protection, courts, and other facilities for these businesses and properties, and schools for children of the workers therein, just as fully as they do for those which pay local taxes. They point out also that while they are being called on for ever new and better services by the state as well as by the local population, the tax base from which they must raise their revenue is not growing in proportion but on the contrary is being steadily cut down. More and more the local units have to get their revenues from taxes on farms, homes, apartments and hotels, small businesses, local utilities, wholesalers, and manufacturers. As the pressure on these taxpayers increases, the property tax becomes increasingly unpopular, since it is not clear that the larger properties now exempt from local taxes are really paying their fair proportion.

Had the state been able to withdraw wholly from the field of direct taxation of property, the burden on the small property owner might have been less than it is, and the objections to the tax not so great. Unfortunately, while the special state taxes provided it with an ample revenue in good years, when there came a decided slump in business, gross earnings and occupation taxes, among others, yielded smaller revenues than were needed. This drop in state revenues was accompanied by increased demands upon the state to support relief work and other activities necessitated by the depression. The result was that the state had to increase its reliance upon the general property tax at the very time when local governments were endeavoring, by new economies, reduced services, and lowered salaries, to lighten the burden of the property owner. Town governments in the course of a few years were able to reduce their property tax levies by approximately one-half, and other units were also making reductions. The state rate at the same time had to be increased considerably, so that the total reduction in all property tax levies was much smaller than had been hoped. Thus the local governments found that the only tax on which they can rely, the property tax, was made increasingly unpopular and unproductive not only by their own use of it but by the increased use of it by the state. They were caught between the millstones. They had no way to turn for new revenues, and the source which had been left

straight-line depreciation method and the list prices used by the state in determining values for taxation, although here again there had to be some estimating of the values of vehicles, especially of those paying the minimum tax.

them was being destroyed by increasing delinquency and resistance on the part of taxpayers over which they had little or no control.

It is important to mention at this point that both the state and the local governments have used the property levy as the flexible item in their tax systems. The revenues from all other sources are calculated annually, in an effort to predict the income they are likely to yield the next year, and the property tax levy is then fixed by the state and by each local unit at an amount which will probably yield the additional revenue required to cover the necessary expenditures. The property tax is one that lends itself readily to this use, but the owner of property subject to this tax has some ground for objecting that this tax should not be the only one increased when other taxes fail to yield normal returns.

The reasons for using the property tax for this purpose are not hard to state. In normal times this tax is the surest and most easily calculated of all sources of revenue. The assessed valuation of property, the base on which the levy is figured, is known in advance of the tax-levying date. A levy once made is fairly certain to be paid, since owners of property will sacrifice much to keep their property from being sold for nonpayment of taxes. Other taxes, such as those based on gross earnings, incomes, inheritances, sales, and other fluctuating items, yield variable amounts of revenue from year to year, and consequently do not so easily serve to fill the public treasury to just the right amount. They are also in some cases more susceptible to decreases in revenues when rates are increased.

In a time of depression, property taxes continue to be more certain in their yields than most other taxes, but the rates cannot be pushed up indefinitely without causing so-called "tax-strikes" and increased delinquency. The latter factor is cumulative; the more delinquency exists, the more will be created, for as the number of actual taxpayers decreases, the burden on each in the form of increased rates becomes progressively greater, with the result that they too are forced to become delinquent. All this occurs at the very time when both the state and the local governments are being called upon to provide additional sums for public relief. In short, it is not surprising that property owners object to the continued and even increased burden put upon them in times of depression, when their incomes are greatly reduced. At the same time it must be remembered that the local governments have no alternative,

granted that certain sums of money must be raised and spent, to raising the property tax rate as collections become poorer. For the state to use the property tax as the flexible item at the same time only increases the difficulty all around.

MANDATORY RATES AND RATE LIMITATIONS

There is, of course, the alternative of reducing expenditures and thereby reducing the tax burden also. The local unit that is in the best position to do this is the town. While it must meet some mandatory charges, the larger part of the town's budget is within its own control. This is not so true in the case of counties, cities, and school districts. Many hundreds of school districts, in order to meet the state-aid requirements, must levy taxes up to a certain amount. Counties are burdened with certain mandatory expenses for salaries fixed by law, for court expenses, and for other charges over which the county has no direct control, and must levy the one-mill school tax. Cities are subject to a variety of mandatory expenses for salaries, pensions, and other purposes. For all local units, debt charges are practically fixed, at least for the short run. Thus large parts of most local budgets are more or less inflexible. Since the principal source of local revenue is the property tax, these mandatory taxes and charges make it practically impossible for local units other than towns either to reduce their budgets quickly or to reduce their tax rates.

In contrast with these mandatory expenses are the numerous acts of the legislature which fix maximum tax limits for various purposes. In the latter cases the attempt seems to have been to limit taxes, in the former to keep up taxes and expenditures. The method of tax limitation most commonly used is the "mill rate," a one-mill rate being, of course, a tax of one dollar on an assessed valuation of \$1,000, or one-tenth of a cent on the dollar.

Practically all powers of taxation conferred upon local units by the state are accompanied by rate limitations. Thus counties may in general levy not to exceed 10 mills for road and bridge purposes, 1 mill for the maintenance of a sanatorium, 1 mill for contractual county library service, and so on. A recent compilation lists 51 such restrictions for counties, 61 for cities and villages, 24 for towns, and 28 for school districts.¹³ Of course, only a relatively small number of these apply to all the units in the particular class. Many of

¹³ *Minnesota Year Book*, 1934, pp. 150-70.

them are distinctly limited in application, and some are obviously special.

The county tax for "general revenue" purposes may be used to illustrate the operation of rate limitations. An act of long standing, applicable to all counties, for many years set a 5-mill maximum on the county tax for general county purposes. This tax must be distinguished, of course, from the road and bridge tax, the poor fund tax, the sanatorium tax, and others for specific purposes. Later an exception was made which provided that if the 5-mill tax would not yield at least \$40,000, the rate might be increased up to the point where \$40,000 would be produced. Obviously, \$40,000 was regarded as the minimum amount required by any county for salaries, courthouse maintenance, and other general purposes, and just as clearly there must have been, at the time of the passage of the act, some counties in which a 5-mill tax was insufficient to raise that amount. It might be assumed that under the amendment discussed any county would be able to provide for its general purposes without further changes in the law, but this has not proved to be true. To the end of 1933 nine other enactments had been passed on the subject, all of which appear to be still in operation, and there are other laws dealing with taxes to pay judgments and other claims which probably increase the number still more. One county may raise up to \$60,000, another up to \$75,000. Rates of 7, 8, 10, and 13 mills are also authorized for particular counties or small groups of counties. The highest rate authorized, that in Cook County, applies to counties having from 50 to 70 townships and less than \$3,000,000 in assessed valuation. Since it was enacted, the valuation in that county has dropped to less than \$1,000,000.

Because of the many exceptions made by different statutes, and in spite of recent efforts at tax reduction, in 1933 only twenty-nine counties levied general fund rates of less than 5 mills, and only 11 others levied just the 5 mills, while six general fund rates ran from 20 to over 40 mills. All told, forty-seven counties were above the 5-mill limit that year.¹⁴ In fact, so numerous and varied are the acts that allow exceptions from the 5-mill limitation that the limitation has lost much if not all of its original meaning. Apparently any county whose officers can convince the local legislative delegation of the need or desirability can without much difficulty get an act passed through the legislature making that county a special exception. The fact that the acts passed are in many cases

¹⁴ *Ibid.*, pp. 188-89.

special, and hence violative of the constitution, does not prevent their enforcement or use where no taxpayer files suit to prevent it.

What has happened to the general fund limitations has also happened to other limitations. There are various exceptions to the 10-mill maximum road and bridge levy, several provisions relating to the sanatorium levy, and a number for poor relief.

It is interesting to note also that the counties of low assessed valuation, which need high tax rates for one purpose, usually need them for other purposes also. The result is the piling up of rates in some counties to prohibitive heights. Thus the combined county rates in 1933 (payable in 1934) in four northern counties exceeded 40 mills (one was over 80 mills), whereas ten counties at the other end of the scale had total county rates of less than 10 mills, and two had less than 7.¹⁵ Indeed, the counties of low valuation, which need limitation most, have been able in one way or another to avoid the limitations and to make them practically ineffective. In counties of relatively greater wealth and more conservative views on expenditure, tax rates are generally well below the legal limits, and so it may be said that in the cases of these counties also the limitations on paper have little effect. Somewhere between these groups the limitations may operate to some extent. The important question is whether as many of these counties have not been pulled up to 5 mills as have been held down to that rate by the limitation.

The foregoing discussion relates in no way to the wisdom or propriety of any county expenditure. It bears only on the wisdom and the effectiveness of mandatory expenditures and tax levies imposed by the legislature on local units on the one side, and the legislative tax limitations imposed on them by the same body on the other. The illustrations have been drawn from the field of county government, but they could just as well have been taken from the experience of any other group of local units. The conclusion seems to be (1) that mill-rate limitations are defective because when applied to communities of high valuations per capita they are meaningless or nearly so, since such communities are not likely to reach or exceed them, and when applied to poorer communities are unduly restrictive, with the result that (2) the legislature waives the limitations in one case after another for the poorer communities, thus permitting the increase of tax rates in the very localities where increases cannot easily be borne. Clearly the legislature as a whole, in the bustle and turmoil of a short bi-

¹⁵ *Ibid.*, p. 188.

ennial session, is in no position to pass upon the taxpaying ability of various local units, and the mill-rate method of limitation is open to some serious objections.

When the legislature imposed special taxes upon the occupation of iron mining some years ago, it also turned its attention to the limitation of local property tax levies on the iron mines. Because of the very high valuations in most of the communities concerned, the mill-rate method of limitation was obviously inapplicable, and the legislators hit upon the per capita method. Even low millage rates yielded high returns in some of the Iron Range municipalities. The first per capita tax limitation enacted by the legislature forbade any city or village to raise by taxation more than \$100 per capita per year for ordinary municipal purposes or more than \$60 for school purposes, a total of \$160 per capita. This limitation was so high that it probably did not affect any local government outside the Iron Range. The law was subsequently amended to reduce the maximum per capita tax for municipal purposes in 1931 to \$80, in 1932 to \$75, and thereafter to \$70 a year. The maximum school rate, \$60 per capita, was untouched.¹⁰ The state and county rates are, of course, unaffected by this limitation. It is doubtful also whether any communities outside the Iron Range will have their taxes held down by these limitations. The method is one, however, which if properly applied might hold down taxes in other local units more effectively than the millage rate limitations have done.

The legislature of 1935 in regular session had before it a number of proposals for tax limitations on local governments. One of these was in the form of a constitutional amendment to limit all property taxes (state, county, school, and other local) to a maximum of \$1.50 per \$100 in cities and villages and \$1.00 per \$100 in towns. Something of this sort has been tried in several states in recent years as a drastic means of forcing the adoption of other taxes and of making them serve as positive replacements of the property tax.¹⁷ The legislature refused to propose such a constitutional limitation for Minnesota.

Another proposal was to abolish the state use of the general

¹⁰ Mason's Minnesota Statutes, Sections 2061-66; Session Laws, 1929, Ch. 206. Several Iron Range communities had their per capita tax limits further reduced by the 1935 legislature. Session Laws, 1935, Ch. 132, 135, 134.

¹⁷ See, in general, *Property Tax Limitation Laws* (Public Administration Service Publication, Chicago, 1934), 92 pages; *The Feasibility of Blanket Tax Limitation Laws, etc.* (State Governmental Research Bulletin 1, Minnesota Institute of Governmental Research, St. Paul, December, 1934), 24 pages; and various articles in *Minnesota Municipalities* in 1934 and 1935.

property tax for general revenue purposes, thus leaving this tax exclusively for local use. This proposal, submitted as a constitutional amendment (Session Laws, 1935, Chapter 394), will be voted on at the 1936 election. When it is remembered that school aid probably comes largely from the state property tax, the wisdom of this proposal appears somewhat doubtful. If it is forced out of the field of property taxation, the state must either cut down on its aid to local communities or claim more completely than ever before exclusive use of the proceeds of special state-wide taxes. The state needs a broad and flexible taxing system just as much as the local units do, and it will not solve the problems of the latter merely to forbid the state to use a specific source of revenue.

ASSESSED VALUATIONS AND TAX YIELDS

The yields of revenue from the property tax depend obviously on three factors: (1) the valuation of the property subject to the tax; (2) the rate of the tax; and (3) the efficiency of the collections, which in turn depends on a number of other factors. These three major factors may be taken up for separate treatment first, and then brought into relation with each other.

In Minnesota, as in nearly all other states, there are striking differences in valuations, per capita and per square mile of area, in different parts of the state and between different classes of local units. Although valuations have decreased in all parts of the state in recent years, the principal regional differences are practically unchanged. The valuations per square mile are naturally highest in the most urban counties, Ramsey and Hennepin, and high also in St. Louis County, where the large size of the county is offset by the high taxable value of the iron deposits. In general the other counties shade off from fairly high and reasonably uniform valuations in the southern agricultural counties through lower valuations in the north- and west-central counties to very low values per square mile in the most northern group. Excluding the three most populous counties, the spread is from assessed valuations of nearly \$30,000 per square mile in the south to valuations as low as under \$1,000 per square mile in the north.

On the per capita basis St. Louis County leads all others. The iron ore deposits in this county are not only exceedingly valuable but they are also assessed for taxation at a higher percentage of true value than other classes of property. Itasca County, for similar reasons, comes next, but rather far behind St. Louis. Then

comes the large group of southwestern counties, in which land values are high and population rather sparse. The west-central and southeastern counties follow, Hennepin and Ramsey being near the top in the southeastern group. Next come the counties in the northwest, the north-central counties, and those of the northeast, in approximately the order indicated. Some of the best agricultural counties have per capita valuations about four times as high as those of the poorest counties in the north, or over \$800 as against a little over \$200.¹⁸

Another broad line of difference in assessed valuations per capita is to be found between cities and villages on the one hand and towns and unorganized territory on the other. In 1932 there was \$673 per capita of assessed valuation of real and personal property subject to ordinary taxes in cities and villages, as against \$837 in towns. This was on the assessed valuation, and by law rural (unplatted) real estate was then being assessed at only 33⅓ per cent of true value, whereas urban (platted) real estate was being assessed at 40 per cent. On a full-value basis, therefore, the discrepancy was greater than is here indicated. This simply means that to raise the same amount of money per capita, incorporated places must levy taxes at considerably higher rates than rural places; and in fact the urban rates are very much higher.¹⁹

This discrepancy in per capita values between incorporated places and towns is even more striking on the average than is here shown. One small group of municipalities, located on the Iron Range, have total and per capita valuations far out of line with other places in the state. These are shown in Table 14. If these municipalities are left out of the reckoning as not typical, the difference in favor of rural valuations becomes even more noticeable, probably in the ratio of about 3 to 2 of assessed valuation. The cities of the first class rank high in per capitās (the Iron Range municipalities excluded), and the tendency is toward lower and lower per capitās in smaller places until in places of under 500 population the typical community has less than \$300 per capita assessed valuation, and some in the northern counties have less than \$100.²⁰ Such low valuations are clearly inadequate to justify

¹⁸ See *Minnesota Year Book*, 1934, p. 192.

¹⁹ With county and state rates approximately the same in municipalities and in towns, the median city and village plus local school rate in cities and villages in 1932 (payable in 1933), was 55 mills, while the typical combined town and local school rates in rural places averaged under 22. See *Minnesota Year Book*, 1933, p. 184. Compare 1933 tax rates in *Minnesota Year Book*, 1934, p. 174.

²⁰ *Minnesota Year Book*, 1934, p. 230.

TABLE 14A. — VALUATIONS, TAX RATES, AND YIELDS IN IRON RANGE MUNICIPALITIES
(Levies of 1933, payable in 1934)

| IRON RANGE MUNICIPALITIES | | | | | | |
|---------------------------|------------|--------------------------------------|-------------------------------------|---------------------|----------------------|------------------|
| CITY OR VILLAGE | POPULATION | ASSESSED VALUATION REAL AND PERSONAL | TOTAL MUNICIPAL PAL RATE (in Mills) | YIELD | PER CAPITA VALUATION | PER CAPITA YIELD |
| 1. Hibbing | 15,666 | \$70,312,278 | 21.18 | \$1,489,214 | \$4,488.21 | \$95.06 |
| 2. Virginia | 11,963 | 19,506,679 | 38.10 | 743,204 | 1,630.58 | 62.13 |
| 3. Chisholm | 8,308 | { 682,224 13,897,137 | { 40.38 40.38 | { 27,548 533,618 | 1,672.74 | 67.55 |
| 4. Eveleth | 7,484 | { 15,047 12,993,426 | { 42.80 42.80 | { 670 555,440 | 1,736.16 | 74.31 |
| 5. Ely | 6,156 | 8,377,656 | 31.60 | 264,743 | 1,360.89 | 43.00 |
| 6. Gilbert | 2,722 | 5,130,874 | 29.60 | 151,874 | 1,884.96 | 55.79 |
| 7. Nashwauk | 2,555 | 1,457,772 | 44.60 | 65,017 | 570.56 | 25.47 |
| 8. Keewatin | 2,134 | 3,348,868 | 34.70 | 116,206 | 1,569.21 | 54.45 |
| 9. Buhl | 1,634 | 7,110,021 | 24.64 | 173,191 | 4,351.29 | 107.21 |
| 10. Aurora | 1,463 | 904,437 | 36.80 | 33,283 | 618.20 | 22.75 |
| 11. Biwabik | 1,383 | 3,508,784 | 32.70 | 8,416 | 2,537.08 | 82.96 |
| 12. Mt. Iron | 1,349 | { 5,848 7,688,287 | { 17.50 17.50 | { 102 134,443 | 5,699.25 | 99.74 |
| 13. Bovey | 1,248 | 1,135,599 | 31.90 | 36,226 | 909.94 | 29.03 |
| 14. Coleraine | 1,243 | 3,336,740 | 18.80 | 63,064 | 2,684.42 | 50.73 |
| 15. Ironton | 1,033 | 1,023,739 | 44.20 | 45,249 | 991.03 | 43.80 |
| 16. Marble | 738 | 4,779,551 | 12.60 | 60,222 | 6,476.35 | 81.60 |
| 17. Franklin | 625 | 13,626,290 | 2.90 | 39,516 | 21,802.06 | 63.22 |
| 18. Leonidas | 499 | 2,968,662 | 5.90 | 17,161 | 5,828.98 | 34.39 |
| 19. Taconite | 485 | 2,204,402 | 13.10 | 28,878 | 4,586.39 | 59.54 |
| 20. Cooley | 368 | 1,809,399 | 4.20 | 7,599 | 4,916.84 | 20.64 |

any substantial taxation, and if any attempt is made to raise considerable amounts of taxes, the rates have to be exceedingly high.

Rates of taxation in local units depend upon a number of factors, such as valuations, the expense of the services desired, legal limitations, and others. Since standards of living tend to be the same in all parts of the state, and since it costs about the same to educate children and to provide the other local services in the different counties, it follows that tax rates must be higher per \$1,000 of valuation where the valuations are low. The lowest tax rates are found, on the average, in the southern groups of counties, with higher rates generally in the central belt and the highest in the northern groups. The most striking contrasts are found between the southwestern and the northeastern corners of the state; Rock County has generally one of the lowest average tax rates, and Cook County usually the highest. Since low property valuations are in general indicative of low average incomes, this means

TABLE 14B. — VALUATIONS, TAX RATES, AND YIELDS IN SOUTHERN MINNESOTA MUNICIPALITIES
(Levies of 1933, payable in 1934)

| SELECTED SOUTHERN MUNICIPALITIES | | | | | | |
|----------------------------------|------------|---|---|-----------|----------------------------|------------------------|
| CITY OR VILLAGE | POPULATION | ASSESSED VALUATION REAL AND PERSONAL | TOTAL MUNICIPAL RATE (in Mills) | YIELD | PER CAPITA VALUATION | PER CAPITA YIELD |
| 1. Mankato | 14,038 | \$7,045,587 | 22.70 | \$159,035 | \$501.89 | \$11.39 |
| 2. Austin | 12,276 | 4,880,587 | 30.55 | 149,102 | 397.57 | 12.14 |
| 3. Owatonna | 7,624 | 3,520,104 | 21.10 | 74,274 | 459.90 | 9.70 |
| 4. New Ulm | 7,308 | 4,004,969 | 21.10 | 109,836 | 548.03 | 14.96 |
| 5. Fairmont | 5,521 | 2,385,463 | 29.00 | 60,178 | 431.99 | 12.53 |
| 6. Sauk Center | 2,716 | 836,730 | 13.00 | 10,877 | 308.07 | 4.00 |
| 7. Redwood Falls .. | 2,552 | 1,031,076 | 24.30 | 25,055 | 404.03 | 9.82 |
| 8. Windom | 2,123 | 735,042 | 34.20 | 25,138 | 346.23 | 11.84 |
| 9. Appleton | 1,625 | 597,402 | 29.70 | 17,743 | 367.63 | 10.92 |
| 10. Waterville | 1,419 | 472,621 | 23.30 | 11,012 | 333.07 | 7.76 |
| 11. Kenyon | 1,382 | 596,618 | 20.30 | 12,111 | 431.71 | 8.76 |
| 12. Lakefield | 1,349 | 514,309 | 20.47 | 10,528 | 381.25 | 7.80 |
| 13. Belle Plaine | 1,235 | 416,622 | 20.20 | 8,416 | 337.35 | 6.81 |
| 14. Plainview | 1,233 | 519,782 | 19.20 | 9,980 | 421.56 | 8.09 |
| 15. Elk River | 1,026 | 390,229 | 29.60 | 11,551 | 380.34 | 11.25 |
| 16. Clara City | 730 | 320,070 | 13.10 | 4,193 | 438.45 | 5.74 |
| 17. Edgerton | 627 | 179,522 | 18.06 | 3,242 | 286.31 | 5.17 |
| 18. Lonsdale | 508 | 192,599 | 15.64 | 3,012 | 379.13 | 5.92 |
| 19. Wabasso | 482 | 168,192 | 18.70 | 3,145 | 348.94 | 6.52 |
| 20. Madison Lake .. | 365 | 98,563 | 20.30 | 2,001 | 270.02 | 5.47 |

that the people in the poorest counties must give a much larger share of their incomes for taxes.

Another fairly well-marked tendency is for tax rates to be high where population is sparsest and lower where population is more dense. Figure 12, based on 1932 taxes, illustrates this tendency.

The two foregoing conclusions suggest that taxes are more closely and directly related to population than to property valuation, particularly for such services as education and ordinary county functions, which must be kept up to about the same standard throughout the state. This is indeed the fact, and it follows that per capita limitations on taxes and expenditures would be more suitable in most cases than millage rate limitations.

THE CLASSIFICATION OF PROPERTY FOR TAXATION

The use of the general property tax as a principal source of state and local revenue has been justified on both the ability and

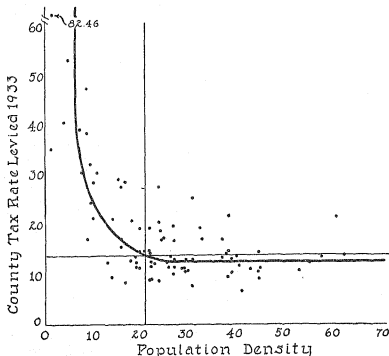


FIGURE 12. — TAX RATES AND POPULATION DENSITY OF MINNESOTA COUNTIES

the benefit bases. It has been argued that each person should pay taxes in accordance with his ability, and that the value of the property one owns is a good practical test of his ability to pay taxes. It has also been urged that property itself is benefited by some of the services of government, and that in the long run the property owner receives more benefits from government than does the non-property owner.

When property was more homogeneous, when most of it consisted of farms, it was undoubtedly a fair index of average income. The owner of the large farm probably had more income and more ability to pay taxes than the owner of a small one. But with the rise of industry, commerce, banking, and other non-farming pursuits, and the great growth of cities, property became much more diversified, and ever larger proportions of it were devoted to purposes other than farming. Also, large amounts of valuable personal property of a tangible kind were accumulated—furniture, stocks of goods, etc., and intangible personal property, too, came to occupy

a place of major importance. Intangibles would include stocks, bonds, mortgages, patents, and other valuable claims to income and to ownership of tangible things like railroads, factories, mines, and commercial establishments.

This diversification of property resulted in an increased difficulty of property assessment. It also caused men to see that the earning power and the taxpaying ability of different classes of property was not the same, and that all property did not receive the same protection and services from government. A demand arose, therefore, for the classification of property in such a way that each class would pay more nearly in proportion to its ability and the benefits it received. Minnesota became something of a leader among the states in the movement toward property classification. The movement has gone so far that the present system in Minnesota must be called one of "classified" rather than one of general property taxation. At least, the old idea of the general property tax was that all property paid according to its true valuation and was treated alike.

In making up the assessments for his district, the assessor is supposed to determine the true and full value of all properties he finds in his district, both real and personal, that are subject to property taxation. When this work has been completed he must determine the classification of each parcel of property assessed and then calculate the "assessed valuation" as a certain percentage of the true and full. It is by this method that different types of property are subjected to unequal taxation; for although the final tax rate in any taxing district is the same for all taxable property, the rate is applied to the assessed and not to the true and full valuation.

Before the changes of the last few years, the statutes provided for four classes of property, as follows:²¹

Class 1. Iron ore whether mined or unmined, assessed at 50 per cent of true and full value.

Class 2. Household goods, furniture, equipment, wearing apparel and similar tangible personal effects, assessed at 25 per cent.

Class 3. Livestock, poultry, agricultural products, stocks of merchandise and fixtures, manufacturers' materials and manufactured goods, tools, implements, machinery, and all unplatted real estate, i. e., farms, forest land, etc., assessed at $33\frac{1}{3}$ per cent.

Class 4. "All property not included in the preceding classes shall constitute class four (4) and shall be valued and assessed at forty (40) per

²¹ See Mason's Minnesota Statutes, Sections 1002, 1003.

cent of the full and true value thereof." Platted real estate was the largest single type of property included in this class.

Considering the more important classes of property, this classification put the heaviest burden of taxation on iron ore, the next heaviest on platted property, mostly in cities and villages, and the least burden on farm and forest real estate, while personal property of the types named in Class 2 had a very low assessment basis whether located in farming, mining, or urban communities.

Recent legislation has introduced some new complications into this scheme of classification. In 1923 the law was amended to read that "all agricultural products in the hands of the producer and not held for sale, and all agricultural tools, implements, and machinery used by the owner in any agricultural pursuit shall constitute class three 'a' (3a) and shall be valued and assessed at ten (10) per cent of the full and true value thereof." Grains and hay held on farms for seed, feed, and family use, and agricultural tools and implements, were thus given an exceedingly low valuation.

In 1933 the so-called "homestead exemption law" was passed.²² It provides in effect that a farm homestead with a full and true value of \$4,000 or less will be taxed on only 20 per cent of that value, and that a homestead on platted land will be assessed at 25 per cent of its value up to \$4,000 of its full and true. In either case, whatever value exceeds \$4,000 of full and true will be taxed on the old bases, or 33 $\frac{1}{3}$ and 40 per cent of true value, respectively.

The legislature of 1933 did two other things which affect the classification of property and the relative tax burdens of different classes. By one act it provided that "The rate of taxation of agricultural lands for school maintenance in any independent school district of the state shall not exceed the average rate for school maintenance on similar lands in common school districts of the same county; provided, that the provisions of this act shall not apply to consolidated school districts."²³ An independent district usually has a small city or village at its center, and it often maintains a high school as well as a graded school, whereas common school districts maintain no high schools. The effect of this act is to increase the relative burden of taxation for school support in cities and villages in independent districts, and to reduce the burden correspondingly on farm property in the same district.

This legislature also proposed a constitutional amendment un-

²² Session Laws, 1923, Ch. 359.

²³ *Ibid.*, Ch. 356; Extra Session Laws, 1933-34, Ch. 37, 66.

der which the legislature is authorized to exempt from taxation entirely, if it so desires, all household goods and farm machinery.²⁴ This proposed amendment was ratified by the voters at the 1934 election, and in the 1935 session of the legislature it was enacted that all household goods, all farm machinery except tractors, silo cutters, silo fillers, threshing machines, combines, corn shellers, and pea viners, and all other personal property to the value of \$25 for each household, shall be tax exempt.²⁵

These various classification, exemption, and tax reduction measures have a number of effects. 1. They tend more and more to shift the burden of state-wide property taxation from farm property to urban and mining property. It is probably true that, in spite of this shifting, the tax burden on rural property has been unduly heavy during the recent depression years, but this seems to be due more to low farm incomes, caused by low prices and crop failures, than to any other cause.²⁶ In recent years, during which the state tax levy has been fairly high, this shifting of the burden to city and village taxpayers has caused increasing difficulty for these groups.

2. The same tendency is noticeable in the taxes of counties, independent school districts, and other units which include both platted and unplatted real estate. Since taxes in cities and villages must, in any case, be higher than in the surrounding rural territory because of the support in incorporated places of high schools, police and fire protection, and other services, this increased burden on their taxpayers is becoming a serious matter.

3. The homestead exemption law necessitates further shifts of the tax burden within municipalities and to some extent in rural places. Since the amounts of the local tax levies could not be reduced greatly in 1934, following some years of reductions, homestead exemption as described above simply meant that local rates of taxation had to be increased, and that thus the burden taken off homesteads had to be transferred to other types of local property. In cities and villages this meant increased burdens on factories, commercial establishments, utilities, hotels, apartments, office buildings, and rental properties. In rural districts rented farms and other property not occupied by the owner as a homestead must bear the increased burden. Of course there are many taxing dis-

²⁴ Session Laws, 1933, Ch. 442.

²⁵ Session Laws, 1935, Ch. 385.

²⁶ See Roy G. Blakey, "The Tax Burden of Agriculture," *Taxation in Minnesota*, Ch. 4.

tracts in which nearly all property is in homesteads; in these cases the exemption means some reduction in state and county taxes, but practically none in local taxes for homestead property, for the reason that, unless local budgets are cut, tax rates must be raised as valuations are reduced.

4. Where maximum rates of taxation are fixed by law and charter, reduced percentages of valuation for tax purposes have in some cases meant reductions in tax yields, and hence have compelled either reductions in expenditure or a search for other sources of revenue.

5. To some extent these various measures involve a further narrowing of the local tax base. With household goods and farm machinery now exempted from taxation, for example, a larger tax burden will have to be borne either by the real property tax or by other taxes.

The question arises whether Minnesota has not reached the point of diminishing returns in its legislation to shift the burden from this class to that by means of classifying and exempting property from taxation. There was something to be said for the original classification as a systematic attempt to achieve fairness between different classes of property, but as much cannot be argued for the recent modifications, forced on the legislature by this and that group, in the attempt to avoid tax burdens entirely or to reduce them to a negligible point.

It is interesting to note that the constitutional amendment which received so much favorable attention in the 1935 legislature, to limit taxes on real property to 1 per cent of full and true value for unplatted and to 1½ per cent of full and true for platted real estate, would almost inevitably have wiped out much of the present classification, and have substituted the 3 to 2 ratio between urban and rural real estate which it provides. This amendment would itself have reduced property tax levies so much that further reductions, by classification or otherwise, below these figures, would hardly have been possible.²⁷

²⁷ In place of submitting this proposed constitutional amendment, the legislative majorities in both houses passed the so-called "omnibus tax bill," which provided for increases in various taxes on corporations, incomes, and inheritances, and added a retail sales tax, designed to yield a number of millions of dollars. The added revenue was to go into the state treasury to enable the state to reduce the state tax on general property for general revenue purposes. The governor vetoed the bill, and it was not passed over his veto. Consequently the state property tax levy for 1935, payable in 1936, as a result of depleted state revenues from other sources will be the highest on record, unless a special session in the latter part of 1935 takes other action before the state levy is made.

THE ASSESSMENT OF PROPERTY

As long as any considerable amount of state and local revenue is derived from property taxation, and that apparently means for a long time to come, the importance of accurate and impartial assessment cannot be overemphasized. Each taxpayer should be assured that his assessment is fair and proportionate to that of others. Many kinds of inequalities are possible, of which the following are most important.

First, between different counties in the state. These are of considerable importance when the state rate is as high as it has been in recent years. To reduce them as much as possible, the State Tax Commission has been given the power to review and equalize assessments, and the fact that it has to make many changes in the county assessment rolls each year proves how many errors creep into the work of local assessment and review. It is very unlikely that all the inequalities between counties are eliminated in the short time allowed for this work each year.

Second, between different towns, villages, and cities in the same county. Such discrepancies are important in the case of the county tax rate and certain other tax rates, such as those of school districts which extend into more than one town, city, or village. The state, county, and school district tax rates are today of much more importance than the town rates and the rates in small villages. To eliminate the worst results of such local differences, the county boards sit as boards of review to equalize assessments each year prior to the state equalization.

Third, between different parcels of property in the same assessment district. These may result from the carelessness or favoritism of the assessor, from his lack of knowledge of values or failure to follow definite rules of valuation, or from his inability to get proper information. The taxpayer has a right to inform himself from the lists concerning the valuation put upon his property and on those of other owners, and he may appear before the local boards of review to have inequalities corrected.

Fourth, between different classes or types of property. The assessor may be well informed about some kinds of property values and not about others; or he may use entirely different standards of valuation for different types. In his attempt to do substantial justice as he sees it, he may arbitrarily raise one class of valuations and lower another. Frequently, because he lacks knowledge of the principles of valuation, he will undervalue large properties and over-

value small ones, but in other cases he will do the opposite. He may know the value of farm lands but not of creameries, or stores, or elevators.

Fifth, between different classes of owners. It is fairly common for the properties of nonresident owners to be valued at higher figures than those of residents. The new homestead exemption law gives the owner who is occupying his place a legal advantage, over and above that which he already had, in comparison with the non-resident owner.

These and other inequalities in the assessment system are well known.²⁸ In fact, they are seldom denied. The whole system of equalization, through town, village, and city boards of review at the lowest level, county boards at the next level, and the State Tax Commission at the top of the pyramid, with the thousands of meetings they must hold each year, is a recognition of the inability of the present system to produce even substantial equality of assessments. That the work of equalization, despite the great labors spent upon it, is insufficient to produce a wholly acceptable result, is attested by the frequent and reiterated recommendations of the State Tax Commission for a change in the whole system of assessment.

Minnesota has, as is generally known, about twenty-seven hundred local assessors at the present time. Each town elects one, and so does each village and city. In a number of the larger villages and cities, and in the unorganized portions of the northern counties, assessors are appointed. All others are elected by the local electorate, for short terms. They work only a few weeks each year, following May 1, have in many cases insufficient time for their work, and are paid a small per diem for their services. They are elected, and often re-elected, not so much because they have special skill as assessors, although that does enter into the voters' decisions, but mainly because of their ability to get and hold votes in the community. In many places it is reported that the assessors are expected to hold down the local valuations in order to keep down the amount of state and county taxes paid in the district. That they are, as elective officers, especially subject to local and individual pressures from taxpayers is beyond question.

The best assessing work in the state is undoubtedly that in the

²⁸ See discussions in Blakey, *op. cit.*, especially Chapter 3, "Farm Real Estate Assessment in Minnesota," Chapter 5, "Tax Delinquency and the Cut-Over Land Problem in Northern Minnesota," Chapter 7, "Urban Realty Assessments and Tax Burdens," and Appendix D, pp. 607-15.

larger cities, particularly in the three cities of the first class. In all these the assessors are full-time, appointed officials, aided by small staffs of permanent assistants and a special corps of field men during the height of the assessment period in the spring and summer months. Commendable efforts have been made in all these cities to adopt the best methods worked out by specialists in assessing. Their records and maps also are so complete and so fully open to public inspection that there has been little solid ground for charges of favoritism in recent years.

With the thought that assessment in all parts of the state could be made as satisfactory as in the larger cities, the Tax Commission has repeatedly recommended the establishment of the county assessor system. Those who are most experienced and best informed about this type of work believe that (1) the work of assessing is a full-time, year-round activity; that (2) the assessor should not hold his position subject to election at frequent intervals, but during good behavior and acceptable service as an assessor; and (3) that he should be paid a reasonable salary for his work, and have such assistance as is needed. To carry out these ideas, the Tax Commission has felt that outside of the three cities of the first class, the county is probably as small a unit as is capable of providing for the full-time assessor and giving him enough work to justify his position. The commission has also had in mind the fact that state supervision would be much more effective over about ninety or one hundred assessors than it can ever be over twenty-seven hundred. Such a small group of assessors could be called together for annual conferences and study for a week or two each year and thus trained in the course of a few years to do a first-rate job throughout the state.

An examination of some of the maps and tables in this report reveals one argument for the county assessor plan which has not been sufficiently emphasized. County taxes greatly exceed town taxes at the present time and probably will exceed them even more in the future. School district taxes also exceed not only town taxes but in many places the combined town, village, and city taxes. But many school districts, large and small, occupy land in two, three, or even more towns. Inequalities between town assessments are, therefore, likely to affect as much as 70 per cent of local taxes, and the state tax in addition.

The county assessor plan is open to some objections, however, most important of which is the fact that counties themselves are

so unequal in size. Such counties as Cook and Lake of the Woods are too small, or have too small valuations, to require full-time assessors. St. Louis County may be too large for the plan to operate successfully.

The proposed plan has, moreover, aroused tremendous opposition, and never more, apparently, than in recent years. This resistance comes more from the towns than from the cities and villages, and has been strongly expressed in the meetings of farmers' organizations. It seems to arise out of a fear that a county assessor will be harsh and arbitrary in his assessments, and of course the argument against the destruction of home rule is used. The local assessors themselves are nearly all against a change in the present system, and they have some support from those who like to keep local money and jobs at home and to keep the number of official jobs undiminished.

The direct expense of the present system of assessment is, naturally, not very large; a better system could hardly be provided for less. It is the labor of equalization which makes the present arrangements really expensive in time as well as in money, and presumably, with better original assessments, there would be less need of long meetings of local and county boards of review. But while the actual direct expense of the present methods is not very large, there are isolated cases in which the expense is rather high. Thus one town clerk wrote recently as follows:

The law sets a wage of \$4.00 daily for the town assessors, but the number of hours of work is left to him. In this town in 1930 we levied the maximum of 4 mills for the revenue fund and received \$173.99. The assessor received for his work alone \$178.55, or \$4.56 more than the total received in the revenue fund for the year.²⁹

If the state is going to bring about better assessment, it may ultimately have to take over the expense of the work itself, and with it the responsibility. Assessment of property for state and county-wide taxation is distinctly a state function. The county might be used as the unit, or large counties might be divided while small counties were united into districts for assessment. The assessors would be local residents within the district, chosen by examination in competition with others, and appointed because of special fitness.

Although the state may have to come to such a plan some day, much could be done at present through the establishment of a

²⁹ It is clear, too, that the expense of assessment is relatively high in the towns of lowest valuation. See Blakey, *op. cit.*, pp. 614-15.

number of large districts in the state, perhaps ten or a dozen, in which the Tax Commission would have some local representative to assist it in the enforcement of all the tax laws: income tax, chain store tax, inheritance tax, property tax, and others, with some power to assist local assessors in their work and to instruct them in their duties.

TAX COLLECTION AND TAX DELINQUENCY

Although property assessment for taxation purposes is left to town, village, and city assessors, the collection of property taxes, including special assessments, is a function of the county.³⁰ The assessment rolls for the entire county are filed with the county auditor, as finally adjusted by the State Tax Commission. He also receives the certificates as to the tax levies of the state and of all local units in the county. On the basis of the property valuations in each school district, town, city, and village, he calculates the local rates of taxation necessary to bring in the amount of the tax levy of each unit. The several county rates are also calculated and the state rate is certified by the state auditor to all counties. With these data in hand, the county auditor is able to calculate the amount of the state, the county, the school district, and the town, village, or city tax chargeable against each parcel of real estate in the county. Personal property and money and credits taxes are similarly calculated, the latter being at the same fixed rate for all.

The county treasurer is "the receiver and collector of all the taxes extended upon the tax lists of the county, whether levied for state, county, city [or village], town, school, poor, bridge, road, or other purposes, and also of all fines, forfeitures, or penalties received by any person or officer for the use of the county." The tax lists prepared by the county auditor are the treasurer's authority for proceeding to make the collections. Notice is published of the rates of taxation, and in a few counties tax bills covering real estate, personal, and money and credits taxes separately are prepared and mailed out to the taxpayer. Taxes levied in any year, as, for example, 1934, are taxes for that year, and become due and payable on January 1 following and subject to certain penalties if not paid by certain dates during the year. They must be paid to the county treasurer, who is also the receiver for various other revenues to which the state or county is entitled, such as certain fees, fines, licenses, aids or subventions, and proceeds of bond sales.

The safety of this method of collection is preserved in several

³⁰ Mason's Minnesota Statutes, Sections 2055-81, *passim*.

ways. The treasurer is under heavy bonds; his current receipts are checked by the auditor; and an audit is made once a year by the state comptroller. The convenience of this method is such that it deserves special mention. While cities, villages, and school districts collect certain miscellaneous revenues locally, practically all important taxes in each county are paid to the county treasurer. As compared with the system in certain other states, where each town, city, and village has a collector of revenues, and perhaps the school district and other special districts as well, the Minnesota system is a model of simplicity and economy. The taxes are practically all paid in one place, largely on the basis of a single consolidated tax bill, and at or before a few well-known dates. By going to this one office the taxpayer can ascertain just what his taxes are. It would be even simpler if all county treasurers mailed out tax bills, and there might be some increase in collections if the treasurer or a deputy could spend a little more time in the field checking up on delinquents; but the system itself is one that calls for very little change in fundamentals.

Failure to pay the taxes due on or before certain dates set by law results in the imposition of penalties and of interest. Under the laws in effect prior to the present depression, the penalties were fairly serious and the rate of interest charged was high. After a certain delay fixed by law the district court would order a sale of delinquent taxes, and there were usually a number of willing and able buyers, since by law the buyer of delinquent taxes was entitled to an excellent rate of interest on his investment in case the owner of the delinquent property later decided to pay. If, moreover, he failed to pay within three years, the buyer of the delinquent taxes could obtain title to the property, usually at a low figure in proportion to its sale value. When the depression came to create difficulties for many taxpayers, the legislature passed a series of acts which reduced penalties and the rate of interest on taxes and increased the period for redemption from three to five years. Other acts were passed postponing tax sales and permitting what are known as "bargain settlements" of taxes long delinquent when no buyers had intervened.³¹ The legislature clearly had in mind two things, one to get the property back on the list of taxpaying prop-

³¹ Session Laws, 1931, Ch. 120, and 1933, Ch. 414. These acts were declared unconstitutional by the Supreme Court early in 1935, and the legislature then in session passed Chapter 258, Session Laws, 1935, to validate assignments of real estate and other proceedings affecting deeds and titles under the invalid acts but did not attempt to authorize further bargain settlements.

erty, the other to give some temporary relief to hard-pressed taxpayers. No one can quarrel with either of these motives.

Partly as a result of these laws, but more largely as a result of the depression and of changing economic conditions, the amount of tax delinquency in Minnesota increased tremendously in the past few years. With the changes in interest rates and the lengthening of the period of redemption, the buyers of tax titles practically dropped out of the market. They had previously provided a good deal of money for the current revenue funds of many local units. Economic conditions might have forced many of them to stop buying tax titles in any case, but it is generally admitted that the changes in the law had much to do with their leaving the market.

Delinquency was naturally highest in those parts of the state where property valuations were low and tax rates high, i. e., in the northern counties. In the extreme southern part of the state, delinquency was and still is relatively low, but all parts of the state showed some tendency toward increased delinquency. Table 15 shows some of the major facts in the tax-delinquency situation up to the beginning of 1935.

TABLE 15. — TAX DELINQUENCY IN DIFFERENT GEOGRAPHIC DISTRICTS, 1933 LEVY, PAYABLE IN 1934
(As of January 1, 1935)

| COUNTY OR GEOGRAPHIC AREA | AMOUNT OF DELINQUENCY | PERCENT- AGE OF 1933 TAX LEVY DELIN- QUENT | PERCENTAGE OF TOTAL DELINQUENCY IN EACH DISTRICT | PER CAPITA DELIN- QUENCY |
|------------------------------|-----------------------------|--|--|-----------------------------------|
| Hennepin County | \$5,768,551 | 25.32 | 24.98 | \$28.19 |
| Ramsey County | 4,446,144 | 15.28 | 19.25 | 8.59 |
| St. Louis County | 2,593,593 | 17.11 | 11.23 | 9.05 |
| Total metropolitan area... | \$12,808,288 | 19.22 | 55.46 | \$12.69 |
| Southeastern area | 1,502,301 | 10.23 | 6.48 | 3.24 |
| Southwestern area | 1,356,272 | 12.11 | 5.87 | 4.18 |
| West-central area | 1,436,903 | 22.13 | 6.22 | 6.82 |
| North-central area | 2,090,145 | 29.12 | 9.05 | 7.39 |
| Northwestern area | 1,346,384 | 29.58 | 5.85 | 9.92 |
| Northeastern area | 2,551,311 | 37.85 | 11.05 | 18.61 |
| All | \$23,094,504 | 19.74 | 100.00 | \$9.01 |

The effects of this great amount of delinquency upon the revenues of local governments hardly need to be discussed. With no other source of revenue available to them, a number of local units in the northern part of the state went through some trying years, and are not yet out of danger and difficulty. Tax rates could not be

increased indefinitely to take up the slack, since increased rates only drove more property into delinquency. Both services and salaries were drastically reduced in a number of places, but even these efforts proved not to be enough. Reorganizations of local services took place in a few cases, as in the schools of Koochiching County, with some resulting relief, but these were not sufficiently widespread. Defaults occurred in the payment of interest on debts in a number of localities, and some units even failed to meet payments of principal when they fell due. Frequently the creditors had to make compromises with their local governments. Finally, the greatly increased demands for public relief compelled both the state and the national government to come to the rescue with relief funds. The breakdown of the taxing system caused a partial breakdown of local governments. This is but a statement of the facts, but it shows the close relationship between the efficiency of the revenue system and the successful operation of local government. In the long run local self-government is possible only to the extent that the local units have assured and reliable sources of revenue of their own.

This experience with extensive tax delinquency probably proves another point, namely, that, dependable though the property tax is as a source of revenue in poor as well as in good times, Minnesota had reached the point where, in many communities at least, there was too much of a load on the payer of property taxes. When property values are going down and taxes are high, there will come a time when large numbers of owners, especially those who have mortgage burdens in addition and only small equities in their properties, and those whose properties offer little prospect of good returns at an early date, such as the owners of cut-over timber lands, will prefer giving up their legal titles and even possession of the land to continuing to pay what they consider burdensome taxes. There is, in other words, an economic limit to property taxation, quite different from the legal limits already described. The legal limits permitted taxation in many places far above the economic limit, and a disastrous amount of delinquency followed. It is not at all surprising, therefore, that there should be a widespread demand for new and more restrictive limits on property taxes. Like tax delinquency, these will affect the local units more directly and severely than the state, since it is always possible for the state to provide itself with new sources of revenue by law.

The delinquency situation will probably improve slowly as eco-

conomic recovery takes place. Something can be effected, also, by improvements in the laws. A special committee appointed by the governor reported its recommendations in 1934, essentially as follows:

1. That the legislature discontinue the passage of "bargain tax settlement laws."

2. That the postponement of tax sales be discontinued.

3. That definite, adequate, and uniform penalties and rates of interest on delinquent taxes be adopted and enforced.

4. That discounts be authorized by law to encourage the early and prompt payment of current taxes.

5. That installment payment be permitted for clearing up past accumulations of delinquent taxes.

6. That at the end of five years of delinquency, and a mandatory period of notice of sixty days, tax-delinquent lands be forfeited absolutely to the state.

A number of recent laws have proved to be in effect an encouragement of delay and delinquency and a discouragement of prompt payment of taxes. It appears to be necessary now to retrace the steps taken and to encourage and reward the man who pays promptly.

SPECIAL ASSESSMENTS

Special assessments have a definite and important place in the revenue system of local governments in Minnesota. They have been expressly authorized by the constitution since 1869, and are so authorized today in the following language:³² "Provided, that the legislature may authorize municipal corporations to levy and collect assessments for local improvements upon property benefited thereby without regard to a cash valuation."

The term "municipal corporations" as here used includes counties and towns as well as cities and villages. In carrying out this authority the legislature has passed any number of laws conferring the power of special assessment upon all such corporations, or upon certain classes of corporations, or upon particular ones. The present body of legislation on the subject, supplemented by numerous home rule charters of cities, is extensive and complicated.

In essence, special assessments are taxes on land. They may be levied only for local improvements—that is to say, improvements which give some special benefit to the land assessed, as distinct

³² Constitution of Minnesota, Article IX, Section 1.

from the benefit conferred upon the whole community. Drainage ditches, irrigation works, sewers, streets, water supply, parks, sidewalks, and many others down to and including the oiling of streets and such ephemeral "improvements" as street sprinkling have been held to be local improvements. The theory of special assessments is that the assessment charged may not exceed, and should be in proportion to, the benefit to the land. When legally levied the assessment is a tax and is collected by the county treasurer along with other taxes. Like the property tax, special assessments are a lien upon the land assessed, and the land, together with its improvements, may be sold to pay the assessments when finally delinquent. In the meantime, however, the unit of local government has probably paid for the improvement, or at least become obligated to pay for it, so that in cases where the assessments are not paid a general tax upon all property in the jurisdiction may have to be levied to pay for the improvement or for the bonds issued to pay for it. If then the land benefited and assessed cannot be sold for enough to pay for the improvement, all taxable property in the jurisdiction must bear the burden. This is exactly what has happened in recent years to certain counties in northern Minnesota burdened by drainage ditch debts and assessments, and it helps to explain the high tax rates in some of those counties.

In the year 1930 counties levied \$2,187,393 in special assessments, towns \$1,089,419, and cities and villages \$5,375,824, a total of \$8,652,636. In 1933 the total was \$6,934,795, a considerable reduction, and fewer new special assessment projects were being undertaken.

School districts receive no revenue from this source, since a school is a general and not a local improvement. Generally speaking, cities and villages make most use of this source of revenue, for the urban improvements which can be financed in this way are numerous and important. The larger places, also, make more use of special assessments than do the small cities and villages. The reason for this is, in the main, that any improvement in a place of small population and an area of two square miles or less is really a general improvement.

The special assessments levied by counties are all, as far as we know, for drainage ditches and similar improvements. The same is true in the main of the small and rapidly decreasing amounts levied by towns. Attempts have been made at times to finance rural roads by special assessments upon benefited farm lands, but these have

not proved to be financially successful and the legislation has been repealed.

The experiences of the counties in attempting to finance drainage ditches by special assessments have been very unhappy. Many such projects have been begun which have since been proved to be worse than useless. Landowners, encouraged often by ditch contractors, initiated the projects, and under the law the counties had little power to prevent them. When the projects failed and the assessments were not paid, the counties, which had had to issue their bonds for the work, were left "holding the bag." Consequently their financial plight was in some cases so serious that the state had to step in and assume part of the ditch debts.³³ Rural landowners and political leaders have naturally become very suspicious of special assessment projects.

In cities and villages the special assessment problem presents other difficulties. A special assessment map of any large city which, like Minneapolis, makes extensive use of this method of financing local improvements would show that the newer developments in the outskirts of the city are heavily burdened with special assessments for water mains, sewers, and other local improvements. In many cases, special assessments exceed regular taxes. In the downtown areas, on the other hand, special assessments are usually small and frequently nonexistent, except for occasional street-widening projects, and average but a small percentage of ordinary property taxes. This suggests that outlying areas also will some day be rid of this burden, since the major local improvements will have been paid for.

In the meantime the burden is an especially heavy one, and it rests largely upon families of small means who have moved out into the outskirts to find cheap housing. In fact, the same small properties which pay relatively high general property taxes also pay on the average the highest special assessments. The explanation is to be found in part in our methods of urban real estate development. Anyone who owns, or becomes the agent for the owner, of a parcel of unplatted land, finds that he has to do practically nothing before he begins to sell lots except prepare a plan or "plat" of the land and get it recorded. By every known device of advertising he then induces workmen and clerks who are planning to build homes to come to his subdivision to buy lots. Many irresponsible and unscrupulous real estate promoters have engaged in this business.

³³ See Chapter X on state aid.

They make no improvements of any value in the land, nor do they fully inform their buyers concerning the expense of the improvements that will be necessary before modern houses can be built upon them. Many buyers doubtless think, also, that they will get along without sewers and other amenities, but they soon come to demand them. The result is, on the one hand, an overdevelopment of subdivisions in and about the city, and on the other hand a piling up of special assessments on lands whose owners cannot really afford to pay them. Times of financial distress and unemployment only aggravate a situation which was already bad, and increase the proportion of tax delinquencies.

Now that city growth is slower than it was a few decades ago, and the need has arisen for a more conservative policy with respect to new subdivisions, it would seem to be time to require all subdividers to grade, curb, and sidewalk the streets in their subdivisions, to provide neighborhood parks and open spaces, and to put in sewers and water mains before recording the plat and beginning to sell lots. If this were required by state law (no city could successfully do it alone), only financially responsible real estate firms would engage in the business, the excessive overdevelopment of subdivisions would cease, and the price of every lot sold would include the cost of the major improvements. Special assessments would then become much less important than they are today and much less a problem in local finance.

Another complicated problem would still remain, however—that of special assessments for paving. Until the last few years the large cities have been completely excluded from receiving anything from motor vehicle license funds or gasoline tax funds, and even now they receive help on only a few trunk highways through their areas. Other cities and villages, also, receive very little help from these sources. At the same time the rapid development of motor vehicle traffic has thrown a burden upon city streets which calls more and more insistently for city-wide paving programs. At present such paving can be paid for only by special assessments or by city-wide taxes on property. Into this situation has come a new complication resulting from zoning. Large sections of our cities are now zoned for residential purposes. Through these areas must run some of the arterial streets, which carry traffic of all kinds through the city. To assess property zoned as residential and used only for residences to pay for the heavy pavements needed to carry the traffic of trucks, buses, and all other types of vehicle, is only to add

insult to injury. Such an area is definitely harmed, not helped, by such traffic on such streets. Nevertheless the financial plight of cities has recently been such that they have been unable to find the money needed for pavement without continuing to levy special assessments on abutting property even under such conditions.

Special assessments clearly constitute additional burdens on the owner of real estate. As part of the strong movement of the present time to relieve such property from excessive tax burdens, there have been proposals that special assessments be wholly forbidden. This is unnecessary and in the long run perhaps unwise. In rural districts they will probably be little used for years to come. In incorporated places they may still be useful and desirable in many cases as a method of financing improvements. The times call for moderation in the levying of such assessments and perhaps for a strict law requiring mailed notices to all property owners affected by any project and public hearings before the project is begun.

MISCELLANEOUS REVENUES

In Table 16³⁴ revenue receipts other than ordinary taxes, special assessments, and state and federal aid are listed according to their relative importance, and are allocated to the several classes of local units. First in fiscal importance are the earnings of public service enterprises, principally water, electricity, gas, and heating plants. The revenues, it will be noted, go entirely to city and village governments. There is no real prospect that counties and towns will ever have much revenue from this general source, nor are the school districts likely to have much of this revenue assigned to them.

In a number of cities and villages the local utilities have in recent years made contributions to the local treasuries. A hope has therefore been raised in some quarters that substantial relief to payers of property taxes might result from a further extension of municipal ownership. There has even been talk of "taxless cities." It is not impossible to conceive of municipalities so operating their utilities and so arranging their rates of charge as to achieve something of the sort.

At the present time, however, it is impossible to determine from the records whether, on the whole, municipally owned plants have

³⁴ The data are drawn from Table 12 above. A recent study by Arthur Borak and Gladys C. Blakey, entitled *Fees and Other Non-Tax Revenues of Minnesota Local Units* (The University of Minnesota Press, 1935), gives later and more complete information on certain phases of this subject.

really made a net contribution to the operation of the municipal government. The evidence suggests that some well-run plants, such as that at Rochester, have made substantial net contributions, that others have done little more than pay the equivalent of taxes and other comparable charges, while some others have probably done even less. Our guess is that they have probably paid their own way, on the whole, but not much more.³⁵

TABLE 16.—MISCELLANEOUS REVENUE RECEIPTS OF LOCAL GOVERNMENTS, 1931
(Excluding ordinary taxes, special assessments, and aids)

| SOURCE OF REVENUES | COUNTIES | CITIES AND VILLAGES | SCHOOL DISTRICTS | TOWNS | TOTAL |
|--|-------------|---------------------|------------------|-----------|--------------|
| Earnings of public service enterprises | | \$10,918,000 | ..... | ..... | \$10,918,000 |
| Earnings of general departments | \$1,065,000 | 1,599,000 | \$2,014,000 | \$120,000 | 5,404,000 |
| Licenses and permits.... | 3,057,000 | 1,191,000 | ..... | 12,000 | 4,260,000 |
| Highway privileges, rents, and interest | 360,000 | 1,861,000 | ..... | 4,000 | 2,225,000 |
| Donations, gifts, and pension assessments | 2,000 | 647,000 | ..... | 13,000 | 662,000 |
| Fines, forfeits, and escheats | 234,000 | 372,000 | ..... | 1,000 | 607,000 |
| Total | \$5,318,000 | \$10,588,000 | \$2,014,000 | \$156,000 | \$24,076,000 |

If this is true, then even a great expansion of municipal ownership would not result in reduction of taxes without a substantial change of policies. Utility rate structures would probably need to be modified considerably, and this would raise the question of the social effects of higher rates for water and electricity. Today the water plants are the most numerous of municipally owned utilities; and it is doubtful whether increased water rates are socially desirable, and also whether water rates are to any great extent paid by others than payers of the property tax.

Similar questions arise concerning the proposal to put sewers on a rental basis. This is now authorized for cities of the first class, and is likely to be authorized soon for smaller places. Vacant lots might conceivably get some relief from such a measure, and landlords might arrange that their tenants should pay the sewer rentals, thus giving themselves some tax relief. In the long run these changes would probably not have much effect in shifting the tax burden.

³⁵ Whether their rates have been lower or higher than those of comparable private plants is not the question here. For a more extended discussion see the study cited in the previous note.

Next in amount come the so-called "earnings of general departments," a term that covers a multitude of items like fees and charges for services, park and library receipts, school textbooks and lunches, and many others. School districts fare best in revenues from this source, with counties next, and cities and villages close to counties. Since these figures were compiled, both 3.2 beer licenses and other liquor licenses have been authorized and issued, and already they are bringing in considerable revenues for cities and villages.

From licenses and permits, the counties receive a fairly large amount, cities and villages over a million dollars, and towns a negligible amount. Highway privileges, rents, and interest also bring cities and villages a considerable revenue, but other units get little from them.

At present, with liquor revenues added, and other miscellaneous revenues decreased, the total annual revenue from these sources is probably not far from the 1931 figure of \$24,000,000. This amounted in that year to about 15 per cent of all revenues. Cities and villages got then, and still get, the lion's share, the counties came next, and towns were far behind even the school districts in miscellaneous revenues.

The total sum of such revenues is by no means negligible, but two common fallacies concerning them need to be exposed. One is the idea that these revenues always represent a relief from a corresponding amount of taxes. This is certainly not true in the case of earnings of public service enterprises, and even many fees, licenses, and service charges do not suffice to cover the cost of the service rendered.

Another common error is the assumption that these revenues could be greatly increased to the still further relief of the taxpayers. It is probable that something fairly important could be done in Minnesota through (1) a great extension of municipal ownership, with a fundamental change in rate policies; (2) general establishment of sewer rentals; (3) municipal liquor stores, and licenses on private dealers in liquor as in the past two years; (4) filling station taxes; (5) general increases and extensions in licenses for business; and (6) automobile "wheelage taxes." But even with all these combined in a general drastic program, the total increase in revenues from such sources could not be very great.

Furthermore, special assessments probably will have to be decreased at the same time. Hence if general property levies are to

be reduced there must either be further reductions in local expenditures or a discovery of wholly new sources of local revenue.

THE REVENUE SYSTEM IN FLUX

In future years men will look back upon the present depression as a period of fundamental changes in tax policy in all the American states. Everywhere the ordinary property tax has failed to produce what was needed. Everywhere, too, property owners have organized to demand the relief to which they feel they are entitled. At first the effort was made to reduce expenditures. Today that has nearly run its course. Further cuts in expenditure would imperil already weakened services. The demand now is to find new and large alternative sources of revenue.

The regular session of the Minnesota legislature in 1933 took a long step toward creating a new tax system. It enacted the long-debated state income tax and assigned all the proceeds to the school districts of the state, in proportion to the numbers of children of school age in each district, the money to be used first to meet debt charges and thereafter to pay maintenance and operation costs. This measure has already begun to give considerable local relief.

The same legislature also enacted the "chain store tax." This measure is more important as an expression of social policy than as a fiscal measure. The proceeds go into, but do not increase, state aid for schools. Other tax measures which came from this session were the homestead tax reduction law and the law reducing taxes on farm land in independent schools, both of which have been discussed. The same session also passed two other apparently contradictory measures. One reduced automobile license taxes; the other increased the state trunk highway system by about four thousand miles, thus shifting from the counties the burden of maintaining this mileage.

These measures were followed in the special session of 1933-34 by the authorization of state and local liquor licenses and an important measure of relief to local governments in caring for the unemployed. The state itself began in 1933 to assume a part of the burden of poor relief.

But all these measures were only a prelude to more important ones to come. The tax load on general property was only partially lifted, and the demand for relief was stronger than ever. Thus the legislature of 1935 was confronted by a series of proposals including

drastic property tax limitation laws, sales taxes, "gross income" taxes, "gross-net income" taxes, and increased rates for telephone, railroad, inheritance, net income, and other taxes. The pressure for change was not to be resisted.

The legislature of 1935, in regular session, increased motor vehicle taxes above the temporary rates of 1933-34, exempted household goods and most farm machinery from taxes, and proposed a constitutional amendment to eliminate the state's use of the property tax for general revenue purposes. Its efforts to establish a sales tax were frustrated by the governor's veto. At this time, then, the movement for further revision of the tax system is temporarily stopped, but no informed person seriously thinks that it is ended.

Whatever new taxes are introduced, however, the local governments will not be able to control or administer them. Taxes on sales or gross income, increased net income and inheritance taxes, new or increased corporation taxes, call for state administration. The elimination of the state tax on general property, though undesirable in some respects, does offer the local governments a little more elbow room in raising revenues.

CHAPTER VIII

EXPENDITURES AND EXPENDITURE CONTROL

"My other piece of advice, Copperfield," said Mr. Micawber, "you know. Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery. The blossom is blighted, the leaf is withered, the god of day goes down upon the dreary scene, and — and, in short, you are for ever floored. As I am."

Poor Mr. Micawber! When he had just been released from his debts under the Insolvent Debtors' Act, and was being forced to give up his home and furnishings, he took the time to read young David the lesson he himself had been unable to observe. He knew the principle of budget-balancing, but the practice was beyond him. The best he could do was to prepare petitions to Parliament against imprisonment for debt, and to continue to wait for something to turn up.

In contrasting public and private finance, it is often said that the individual first finds out the amount of his income and then arranges his expenditures to keep within it, whereas governments first determine what expenditures they wish to make and then arrange to obtain the needed revenues. There is just enough truth in this saying to make it a popular one. It is untrue in the first part to the extent that the world has Micawbers in its population, and sometimes it seems to have many.

It is equally untrue in the second part. No government can in the long run ignore the need for balancing income and outgo. National governments may for short periods manipulate their currencies to obtain working funds, and all governments may borrow within legal limits when revenues are insufficient or when they do not have the courage to apply the needed taxes, but in time, unless they are willing to repudiate their obligations and suffer the consequences, they must re-establish a balance between revenue and expenditure. For this reason no government in planning expenditures can permanently ignore the capacity of the people to pay, and local governments are under a special necessity to consider both sides of the budget. They have far less power than national

and state governments to increase their revenues and to find new sources of income in emergencies.

A consideration of these points makes it seem all the more surprising that so little has been done to get the facts about local expenditures, and so little, also, to establish effective local expenditure control. The explanations are probably (1) that during long periods of prosperity local taxes took so little of the people's income that the matter was not considered worthy of special study, (2) that local expenditures were considered to be a purely local matter, which could in no way affect the state at large, and (3) that, in any case, it was a very difficult matter either to get the facts on local expenditure or to subject them to any special scrutiny or control.

THE AMOUNTS OF LOCAL EXPENDITURES

Whatever may be the explanation, the fact is that no public agency in Minnesota is fully informed about the expenditures of local governments in the state. In every local unit there may be one or two persons who know the situation fairly well for that unit, but except in the case of expenditures on education and to a smaller extent expenditures on highways, no state agency regularly gathers and publishes information on local expenditures, and no one knows the situation as a whole. The county financial statements can be used, although with considerable difficulty, to get a picture of the county expenditure situation. School expenditures are reported to the State Department of Education and given to the public through the department's biennial reports. Some of the larger cities also put out fairly informative financial reports, and much can be learned from the reports of the state comptroller on his occasional examinations of the books of certain other units. In the main, however, village, small city, and town expenditures are not reported to any central office or made available for study outside the locality concerned, while the reports of other units are not easy to compare.

In this state of the records, it is necessary to fall back upon the infrequent reports of the United States Bureau of the Census for comparable data and to check and correct these by such local reports as are at hand.¹ Table 17 presents the total figures for local

¹ The tables in this chapter are drawn in the main from the following sources: *Financial Statistics of State and Local Governments, 1931: Minnesota* (United States Bureau of the Census, 1934); *Financial Statistics of Cities Having a Population of Over 100,000, 1932* (United States Bureau of the Census, 1934); *Financial Statement of the State Board of Education, etc., 1931-32* (St. Paul, 1933), and advance material for a similar report to come out in 1935; and *Minnesota Year Book, 1934*.

expenditure in 1931 by classes of local units and by major groups of expenditures.

It will be noticed that out of a total of \$148,000,000 for local expenditures, just about two-thirds went for operating and maintaining the general departments. Nearly 20 per cent went for outlays (land, buildings, public works, etc.), and over 8 per cent went to pay interest on debts. School districts led in total expenditures, with cities, including their water, electric, and gas plants, second to schools; counties were third, and towns in fourth place. Per capita total expenditures, averaged out for the whole state, were nearly \$58, of which schools took over \$21 and county governments over \$13. City, village, and town expenditures cannot be averaged in

TABLE 17.—GOVERNMENTAL COST PAYMENTS OF ALL LOCAL GOVERNMENTS, 1931
(000 omitted)

| ITEM | COUN- TIES | CITIES AND VILLAGES | SCHOOL DISTRICTS | TOWNS | TOTAL |
|---|---------------|------------------------|---------------------|---------|-----------|
| Operation and maintenance of gen- eral departments | \$19,509 | \$39,425 | \$33,859 | \$6,198 | \$98,991 |
| Operation and maintenance of pub- lic service enterprises..... | | 7,882 | ..... | ..... | 7,882 |
| Interest | 3,970 | 6,918 | 1,127 | 146 | 12,161 |
| Outlays * | 11,369 | 18,977 | 8,122 | 499 | 28,967 |
| Census Bureau total..... | \$34,848 | \$68,202 | \$38,108 | \$6,843 | \$148,001 |
| Corrected total† | \$34,848 | \$51,695 | \$54,615 | \$6,843 | \$148,001 |

* An outlay is an expenditure "for permanent acquisitions or improvements" such as the acquisition of land, the erection of new buildings, etc.

† The correction had to be made because the Census Bureau lumped school expenditures in Minneapolis and St. Paul with the city expenditures. This may be legally correct, but for comparative purposes all school expenses should be listed under school districts.

the same way, since no one of these classes of units serves the whole population.² Table 18 is an analysis of county expenditures according to the classification and figures of the Bureau of the Census.

Here we note that as late as 1931, outlays were taking nearly a third of county expenditures, while interest was responsible for over 11 per cent. Since these items are chargeable in large part to highways, it is probable that highways took over half the county expenditures, directly or indirectly, in 1931. It is probable that outlays have been reduced very considerably since that year.

² City and village populations, 1,597,963; expenditures, \$51,695,000; average per capita, \$32. Town populations, about 963,000; expenditures, \$6,843,000; average per capita, \$7.

TABLE 18.—GOVERNMENTAL COST PAYMENTS OF ALL COUNTIES, 1931

| | |
|--|--------------|
| Operation and maintenance of general departments | |
| General government | \$6,147,000 |
| Protection to persons and property | 724,000 |
| Health and sanitation | 1,452,000 |
| Highways | 5,401,000 |
| Charities, hospitals, corrections | 3,459,000 |
| Schools | 279,000 |
| Libraries | 55,000 |
| Recreation | 222,000 |
| Miscellaneous | 1,710,000 |
| Total operation and maintenance of general departments | \$19,509,000 |
| Interest | 3,970,000 |
| Outlays | 11,369,000 |
| Grand total | \$34,848,000 |

Table 19 shows school district expenses for 1931 and 1934 as reported by the State Department of Education. We see that well over half the total expenditures in 1931 went into teachers' salaries and wages, while outlays for land and buildings and principal and interest payments together took only about one-sixth of the total, as compared with over two-fifths of county expenditures in the same year. By 1934 interest had been reduced only a little, but outlays were down to less than three per cent in a much-reduced budget. The total budget reduction was over 25 per cent from the 1931 figures. Teachers' wages had been reduced in about the same proportion as the total budget, general control and interest much less than the average item.

TABLE 19.—PUBLIC SCHOOL EXPENDITURES IN MINNESOTA, 1931 AND 1934 *

| | 1931 | 1934 |
|--|--------------|--------------|
| Maintenance | | |
| General control | \$1,702,085 | \$1,682,717 |
| Teachers' wages | 20,700,192 | 22,299,819 |
| Books and supplies | 2,354,793 | 1,742,803 |
| Operation and maintenance of buildings | 8,421,374 | 6,961,930 |
| Transportation and other expense | 3,294,640 | 2,000,068 |
| Total | \$45,629,084 | \$35,596,337 |
| Land and new buildings | 5,000,410 | 1,076,699 |
| Bonds and interest | 3,985,907 | 3,781,801 |
| Grand total | \$54,615,401 | \$40,454,837 |

* The classification used here is different from that used in other tables in this study. See Financial Statement of the State Board of Education, etc., 1931-32, p. 161; and advance sheets for the Eighth Report of the State Board of Education, 1935.

Table 20 presents the Census Bureau's report on the expenditures of the three cities of the first class in 1932. School operation and maintenance took over 25 per cent of the combined budgets of the three cities. In addition, a considerable part of the interest and outlay payments are chargeable to schools. Next to school maintenance, outlays are the largest single item of expense, and interest comes third.

TABLE 20.—GOVERNMENTAL COST PAYMENTS OF THREE CITIES OF THE FIRST CLASS, 1932
(000 omitted)

| | MINNEAPOLIS | ST. PAUL | DULUTH | TOTAL |
|---|-------------|----------|---------|----------|
| Operation and maintenance of general departments | | | | |
| General government | \$1,476 | \$559 | \$268 | \$2,303 |
| Police department | 1,162 | 702 | 286 | 2,150 |
| Fire department | 1,219 | 973 | 332 | 2,524 |
| Other protection to persons and property | 305 | 141 | 25 | 471 |
| Conservation of health | 922 | 141 | 70 | 1,133 |
| Sanitation, promotion of cleanliness..... | 784 | 286 | 100 | 1,170 |
| Highways | 2,060 | 674 | 287 | 3,021 |
| Charities, hospitals, corrections..... | 3,370 | 497 | 35 | 3,902 |
| School operation and maintenance..... | 7,321 | 3,417 | 2,132 | 12,870 |
| Libraries | 438 | 240 | 79 | 757 |
| Recreation | 715 | 329 | 164 | 1,208 |
| Miscellaneous | 1,256 | 351 | 144 | 1,751 |
| Total | \$21,028 | \$8,310 | \$3,922 | \$33,260 |
| Operation and maintenance of public service enterprises | 862 | 736 | 841 | 2,439 |
| Interest | 3,067 | 2,197 | 601 | 5,865 |
| Outlays | 4,090 | 2,816 | 1,058 | 7,934 |
| Grand total | \$29,017 | \$14,059 | \$6,422 | \$49,498 |
| Total costs less school operation and maintenance | \$21,006 | \$10,642 | \$4,290 | \$35,938 |

Despite the fact that poor relief is mainly a county expense in St. Paul and Duluth, the item of charities, hospitals, and corrections had become by 1932 the largest single item of operating expense other than the schools in the three cities. The great expenditures in Minneapolis alone would account for this.

Of the tax-supported departments, streets (highways), fire departments, general government, and police, follow in the order named. Public service enterprises, mainly water and gas, account for only about one-fifteenth of the total costs exclusive of school

maintenance. These are substantially self-supporting and in some cases earn a net profit.

In Tables 18, 19, and 20 we have accounted for the following totals:

| | |
|--|---------------|
| Counties (1931) | \$34,848,000 |
| Public schools (1931)..... | 54,615,401 |
| Cities of the first class (1932) | 36,628,000 |
| Total..... | \$128,091,401 |

There is some duplication in these figures, since interest and outlays for schools in the three cities of the first class are included twice. The correct total would be more nearly \$120,000,000. This leaves the following items for which we have no itemization:

| | |
|---|---------------|
| Town expenditures (1931) | \$6,843,000 |
| Villages and cities of second, third, and fourth classes (1931)..... | 21,158,000 |
| Total | \$28,001,000 |
| Otherwise accounted for..... | 120,000,000 |
| Grand total..... | \$148,001,000 |

As to villages and the cities of the second, third, and fourth classes, it may be assumed that with a few exceptions their expenditures are roughly in the same proportions as those of the cities of the first class. Their debts are relatively smaller and hence their interest payments also are smaller. Likewise their expenditures for charities, hospitals, and corrections, for fire protection, and for recreation are probably smaller, while their expenditures on streets and on general government are likely to be relatively higher. It is perhaps unnecessary to give reasons for these tentative conclusions.

Town expenditures also are not precisely known. A study based upon the audits made by the state public examiner covering the years from 1921 to 1931 showed generally that from 60 to 80 per cent of town expenditures were made from the road and bridge fund.³ There is so much transferring of money from fund to fund in town financing that these figures are not wholly reliable, but they conform to the general opinion of town clerks that roads constitute by far the largest item of expense for all towns. Since the

³ Roy G. Blakey, *Taxation in Minnesota* (The University of Minnesota Press, 1932), pp. 591-94.

depression, however, towns have made very considerable reductions in road expenditures.

Other town expenditures of some importance are those for salaries and per diems to the supervisors, clerks, treasurers, and assessors and those for maintenance of the town hall. Town debts are so small on the average that interest charges are negligible, and outlays have recently been reduced to a very small annual amount.

REGIONAL DISTRIBUTION OF LOCAL EXPENDITURES

The differences in local government expenditures in the several parts of the state are probably fairly well known. On the per capita basis, the highest expenditures are to be found among the cities and villages of the Iron Range. These are normally from three to ten times as high as the expenses in other Minnesota municipalities of comparable size.⁴ If these exceptional communities be put on one side, the general tendency is for the largest per capita expenses to be in the cities of the first class, with the amounts becoming progressively smaller down to the smallest incorporated places.⁵ In general, also, the per capita expenditures are lower in rural places than in municipalities, but some rural governments have higher per capitas than do many of the smallest villages.

Rural expenditures are low primarily because the services rendered are few. Provision is made for a rural ungraded school, the maintenance of town roads and other town functions of small expense, and the county services. This makes a relatively inexpensive combination of local functions. At the same time, it should be kept in mind that rural local expenditures are as a rule somewhat higher than rural tax collections, since other parts of the state contribute through state aid for the rural schools and the county roads.

A study of tax limitation laws and the provisions made for state aid reveal that the legislature has made efforts to even up local services, and to some extent local expenditures, throughout the state. Appeals such as that for equal educational opportunities have had considerable influence on legislative policy. While such a leveling up of services throughout the state may be desirable within certain limits, it is clear that cities and villages will continue to need to expend more per capita than rural districts. The simple fact is that the congestion of population in urban places makes

⁴ *Ibid.*, p. 600, Table 15.

⁵ *Ibid.*, pp. 595-600.

necessary a number of governmental functions not required in rural places, and that the combination of dense population, considerable wealth, and small area makes economically possible a number of local services which rural districts might like to have but cannot afford. For these reasons, urban places will always need larger sources of revenue than rural governments. While the property tax plus state aid may be generally sufficient in the latter places, urban governments will need a more diversified revenue system.

THE DYNAMICS OF LOCAL EXPENDITURES

The present volume and distribution of local government expenses is the result of numerous forces that have been operating in our American society for many years. To understand the whole situation, it is necessary to trace out the more important changes made during the past generation, to see what expenses are rising, what ones falling, and to try to determine at least tentatively the probable future course of expenditures.

Since full data on expenditures are not available, as already explained, it is again necessary to fall back to some extent upon tax data. This may be justified on the ground that although taxes are not equal to expenditures, the two do tend to rise and to fall together. In Figure 13 are brought together some important facts that help us to visualize what was going on between 1900 and 1934.

In this figure the various curves are drawn to proportionate scales, so that they may be the more easily compared. The population of the state, it will be noted, was growing steadily but slowly. Even before 1915, the total amounts of state and local taxes, of school expenditures, and of county and town road and bridge taxes were increasing much more rapidly than the population. The curves for total taxes and for school expenditures run very close together during this period. Rural road and bridge levies, on the other hand, begin at a much lower level, relatively, and advance much more rapidly. The coming of the automobile and the desire to get the state "out of the mud" were already having great influence.

In the next five-year period, 1915-20, come the most surprising changes. All of the curves shoot upward, the road and bridge levy curve outstripping the others in the sharpness of its rise. School expenditures lag a little behind even the total of state and local taxes, but after a year or two of hesitancy they also climb almost straight upward. Their momentum seems then to carry them even higher than the other curves, and to hold them up somewhat longer.

At this point we need to give some attention to the other curve, that of Dun's index of wholesale prices.⁶ While this is not considered the best of all indices, statistically, it follows others of its kind very closely and has the added advantage of going back to 1900 and earlier. Here we notice a slow but fairly steady rise of the price level from 1900 to 1915, from an index of 91 to about 125. Then it

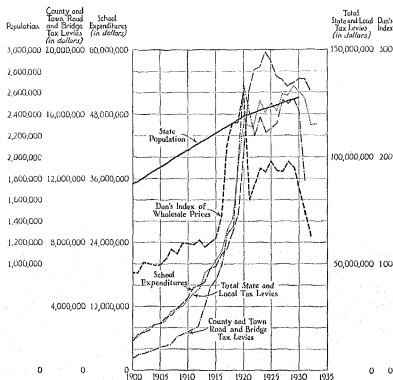


FIGURE 13.—SELECTED TAX LEVIES, SCHOOL EXPENDITURES, POPULATION, AND INDEX OF WHOLESALE PRICES, 1900-34

starts a precipitous climb through the war period, up to over 220 in 1918, hesitates for about a year, and then jumps up to 260, or more than double the figure in 1915, just five years earlier. This means of course that money in the wholesale market was worth less than half as much in 1920 as in 1915. The sharp rise of this curve, it should also be noted, precedes in time the rise of local taxes and expenditures. Money had suddenly become worth much less than previously. Local governments felt the pinch and im-

⁶ See the *World Almanac* for 1935, p. 376.

mediately began to adjust their budgets to raise more dollars in order to buy supplies and materials and to pay their officers and employees. While there was some complaining among taxpayers over these increases, business was active, incomes and prices were up, inflation was going on, and most persons who studied the matter realized that teachers, policemen and firemen, and other local employees could not live on salaries which had been cut in half by the rise in prices.

What happened after 1920 is equally interesting. Between 1920 and 1921 the wholesale markets suffered a terrific deflation, followed by a similar but not equal deflation in retail prices. By 1921 the wholesale index was down one hundred points, from which level it started a slower rise for a few years and then fluctuated up and down for several years in the neighborhood of 180 before beginning another downward movement in 1928 which carried it to new low levels for the entire period since the beginning of the World War.

Local expenditures and taxes, be it noted, did not drop as quickly as the price index. Road and bridge taxes did drop in 1921 and 1922, before beginning a new climb,⁷ but school expenses went on up up to a peak in 1924 before beginning to decline, and the total of state and local taxes, after some hesitation in 1921 and 1922, went on to reach their peak in 1929. All this is very difficult to explain, but one fact is clear. During the war period local government officers and employees were admittedly underpaid; local schools, pavements, and buildings were not properly maintained; and very little new building was being done. Every resource was being put into the war, and nothing could be spared to carry on local services. When the war ended, deferred obligations of many kinds had to be met by local governments. On top of this, there was considerable unemployment during the crisis of 1921, and local governments were urged by the national authorities to do everything possible to create jobs for the returning soldiers and other unemployed persons. School and road building programs were the order of the day, and other expansions of plant were taking place. It was not a time when strict economy could be practiced.

What happened after the crisis of 1929 is only in part revealed

⁷ County road and bridge levies had increased rapidly up to 1920 in anticipation of the trunk highway amendment. As soon as it was passed, the county boards, knowing they were to transfer large and expensive road mileages to the state, reduced taxes; but they soon found other roads to improve, and their road taxes went up again.

by the downward trend of all the curves from 1930 onward. Road and bridge levies dropped off most precipitously between 1930 and 1931. The slump in farm prices, the failure of many banks in the rural sections, and other factors had brought the depression to the rural population before it was keenly felt in the cities. Town and county road tax levies were among the first to drop, but even this decrease, it will be recalled, occurred after a drop in the market price of farm products to a point that was one of the lowest in history. School expenditures followed, after a lag of several years, but the drop was not so pronounced. The explanation probably is that local units can stop the building of roads rather quickly, but the children keep right on going to school, and the schools must continue to operate.

What is now happening is not so easy to see as what has happened. Since 1933 there has been some upward tendency in prices, the price of farm products being considerably higher than the exceedingly low level of about 1932. The drive of the national administration is to get back to about the 1926 level of prices. At the same time, taxes and expenditures are coming down. It is not impossible, therefore, that a new balance may be established within the next few years, and that for a time the violent up and down movements of both prices and expenditures may be halted.

Summarizing this brief discussion, it may be said that from before 1915 to about 1920 local expenditures in dollars increased much faster than the population; that school and road expenditures increased faster than the average of all expenditures; that the great rise of prices preceded and appears to have brought about the increase of expenditures; that when the price level dropped, local expenditures did not go down proportionately; but that there has been a marked downward trend in taxes and expenditures since 1930. If this curve continues to come down while the price curve rises, a new balance may be created, but it is likely to be at a higher level than before the war.

The depression has brought with it a great increase in one public expenditure, namely, that for poor relief. Although school and road expenditures have dropped off very noticeably, total taxes have not decreased so much because of the increased relief burden. Had not the national government, and at a later date the state government, stepped in to assume the largest portion of the relief burden between them, local taxes might actually have increased in some places instead of decreasing.

In view of the dynamic nature of local expenditures in the past, it is not likely that they will stand still in the future. Some will probably decrease; others are almost certain to increase. Outlays on roads, school buildings, and drainage ditches will probably continue to decrease, or at least remain at relatively low levels. On the other hand, there is increasing pressure for pensions for public employees, for old-age and mothers' pensions, for reforestation work, recreational facilities, and water conservation projects. The number of high school students is still increasing, and there is demand for continuation education beyond the high school for the many who find no employment upon graduation. Public relief expense, although ultimately reduced through the re-employment of some persons and the putting of others upon old-age pensions and other forms of social insurance, is likely to continue at a permanently higher level than at any time in our history.

From the changing nature and the constant rise and fall of public expenditures it should be possible to learn some lessons. First, since it is impossible to foresee what functions the government will have to perform, it is unwise to lay down prohibitions based upon any preconceived theory. Second, since revenue needs vary with the rise and fall of expenditures, it is in general not good policy to assign to any particular expenditure the revenue from any particular tax. In Minnesota, under the pressure of automobile-owning and road-building interests, the motor vehicle and gasoline taxes have been assigned by the constitution to highway purposes. When the depression came, and both state and local governments needed new revenues for relief, it was legally impossible to impose an additional tax upon gasoline consumption for that purpose, although it is reasonable to believe that a majority of the people would have approved it. Third, it is equally unwise to establish arbitrary constitutional limits upon the amount of taxes.

A careful study of the curves in Figure 13 will show that local taxes and revenues have increased not only faster than population but also out of proportion to the index of prices. Expenditures begin at a much lower point and rise to a higher one. In dollars per capita there has been a tremendous rise in expenditures since 1930. But since the dollars are of changing purchasing power, it is of some importance to know also what the rise has been when calculated in dollars of equal purchasing power. This can be done by a simple calculation from the wholesale price index. The result is shown by five-year intervals in Figure 14.

Here the direct property tax levies, both state and local, are taken as the basis of the presentation. This is not entirely reliable because (1) there are other revenues collected by local governments, which increase their expenditures beyond the property taxes levied; (2) tax levies and tax collections are not the same, particularly in recent years, when there has been a great deal of delinquency; and (3) the state tax levy is included. The inclusion

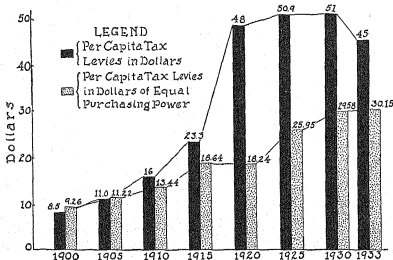


FIGURE 14.—PER CAPITA TAX LEVIES IN DOLLARS AND IN DOLLARS OF EQUAL PURCHASING POWER

of the state levy is not a very serious matter, in view of the fact that the state payments to the localities in school and road aid usually are more than the amount of the direct state levy. In any case, however, expenditures will somewhat exceed the tax levy figures shown.⁸ Thus we have the figure \$58 for expenditures in the year 1931, not shown in this diagram, which was probably near the peak of expenditures in dollars for the local governments of Minnesota. The excess of expenditures over tax levies will naturally be somewhat smaller in recent years, when there has been so much tax delinquency and a decline in miscellaneous revenues.

Despite the many criticisms that can be made of the basis on which the data for Figure 14 were calculated, it is reliable enough for practical purposes. What it shows us is that, although dollar expenditures have increased even more, the expenditures calculated

⁸ The net increase in local debt also represents in part an excess of expenditures over taxes.

in dollars of equal purchasing power have also increased tremendously in the past generation—more than 200 per cent, or from less than \$10 to more than \$30 per capita. If we assume that the people's income in purchasing power (not in dollars) has remained fairly constant throughout this period, this means that three times as much of that income is now being devoted to local services as formerly. What is more reasonable to assume is that from 1900 to 1930 the real income of the people increased,⁹ that the increased expenditure on local public services was borne without great difficulty, and that the services contributed to the rising standard of well-being.¹⁰ Since 1930, however, there has been a clear drop in the real income of the population, with the natural consequence that the cost of local services has become definitely more burdensome than for many years in the past.

THE CONTROL OF EXPENDITURES

In a later chapter the reader will find a discussion of the range of local functions and the relative wisdom or unwisdom of maintaining them.¹¹ Here the special point of interest is that of expenditures, and a consideration of the greatly increased amounts of expenditures naturally leads to a consideration of the controls that may be exercised over them. What is now being done, and what more can be done, to hold expenditures down to a reasonable amount? How can control be made flexible and effective at the same time?

Certain expenditures, as already pointed out, are entirely beyond the control of the local units. These include (1) the expense of functions imposed upon the local units as a duty by the state, such as the support of courts, the payment of certain fees, as to jurors, a minimum of poor relief and provision for mothers' pensions, and others; (2) salaries fixed by law; (3) court judgments against the local units; and (4) interest and principal payments on debts already incurred. The amount of these it is impossible to calculate precisely, but it is well known that together they constitute a very considerable part of local budgets. Such important duties as that of maintaining a local school come very close to being in this class, although within limits the amount of expendi-

⁹ This is borne out by a number of studies. Some place the increase in real income in 1929-30 at about 40 per cent more than in 1900.

¹⁰ Or, to state it differently, because they had more income, people gladly put a part of it into education, roads, and other local services.

¹¹ See Chapter XI.

ture on schools can be controlled locally. The simple truth is that in a very large measure, so-called local expenditures are not really subject to local control in so far as the policy of making them is concerned, while other expenditures are beyond control as to amounts. The problem is one for the state legislature, not for the localities.

In so far as there can be local control, it should be designed to achieve the following general purposes:

1. To integrate and harmonize the expenditure policies of all local units in the area. When the taxpayer must pay to support a school district, a town, city, or village government, and a county, in addition to the state, it is important to him and to the entire public that there be some joint consideration of budgets in order that all will not increase their expenditures and taxes at the same time without regard to the taxpayers' ability to pay. Except for the legal limits on tax rates of different units, enforceable by the county auditor and by taxpayers' suits at law, there is no provision today in Minnesota for such joint study.

2. To have an annual reconsideration of all amounts of expenditure, with careful study of amounts and sources of revenue, and an effort to bring revenues and expenditures into balance annually. This involves the introduction of a budget system and of a more or less formal budget procedure.

3. To provide a continuous local control of expenditures before they are made, to make sure that they are within the appropriations and for a legal purpose. In other words, every local unit needs a comptroller of expenditures, with adequate powers to enforce the budget.

4. To establish a systematic annual audit by some trained and responsible person, to check all expenditures after being made, and to report on any irregularities found.

5. To require adequate and comparable financial accounts and reports.

These five objectives are not attained in any community in the state. St. Paul comes nearest to attaining the first objective, Minneapolis being a fairly close second. In St. Paul the city and school appropriations are both passed by the city council, and the city's representatives on the board of county commissioners and the board of public welfare, which represents both city and county, are in sufficiently close touch with the city council to make joint consideration possible. In Minneapolis the board of estimate and taxa-

tion has some control over most city appropriations, but recently lost its control over school tax levies. The county government also is less closely integrated with the city in Minneapolis than in St. Paul.

Two different ways of attaining the first objective are theoretically possible. One is to consolidate all the local governments in any area into a single government under a single governing body. Thus if the amount of consolidation already achieved in St. Paul were carried one step farther, so that the county and city were also consolidated, there would be one city-school-county government, under one board or council, and all local expenditures and taxes could be considered once a year by one body. Such an arrangement could not be fully made in the more rural sections of the state. There, although the county and a county-wide school district might be united into one government, it is probable that the separate cities and villages in the area would have to remain distinct units.

The alternative would be to have some county board of estimate, made up of representatives of the county, the school districts, the cities, villages, and towns, with powers partly of an advisory and suspensory and partly of a compulsory nature, to exercise supervision over all proposed tax levies in the area.

LOCAL BUDGET-MAKING

In general, the laws and charters governing local units in Minnesota make very inadequate provisions for local budget-making. With respect to counties the laws provide as follows:

Except as otherwise provided in the case of counties having a population of more than one hundred and fifty thousand, the county taxes shall be levied by the county board at its meeting in July of each year, and shall be based upon an itemized statement of the county expenses for the ensuing year, which statement shall be included in the published proceedings of such board; and no greater levy of county taxes shall be made upon the taxable property of any county than will be equal to the amount of such expenses, with an excess of five per cent of the same.¹²

This is the only important provision of law governing budget-making in 84 counties. There is to be "an itemized statement of the county expenses for the ensuing year." This statement is evidently made up by the county auditor, and will normally show the required expenditures for salaries, clerk hire, debt charges, and other mandatory expenses. There is no requirement of any careful

¹² Mason's Minnesota Statutes, Section 2057.

estimate of miscellaneous revenues or other data needed for systematic budget-making.

For the three most populous counties the law provides a more complete code on budgeting procedure.¹³ This is too long to summarize here, but it contains at least some of the elements of a good, modern budget-making system. For school districts, towns, cities, and villages, the law makes practically no requirements. The result is that there is every sort of practice. In one town, apparently without the people of the town being informed of it, taxes were levied year after year in excess of needs until the town treasury held funds more than enough needed to carry the town without taxes for two years. In this there was no plan or purpose, since there was no town debt to be retired. It was a common practice in many places to levy more than was needed and to carry large surpluses in the banks. Some of these were lost in bank closings in the post-war period. In other places, and perhaps more commonly, insufficient taxes have been levied to meet the expenditures authorized, with the result that warrants have been issued in many local units to pay expenses for which there was no money. Thus large amounts of floating debt have been accumulated to trouble the community in later years.

Such practices, resulting in badly unbalanced budgets, are not peculiar to Minnesota's local governments. They can be found in almost every state in the Union, but less frequently in those states where provision is made by general statute for a definite budget-making procedure for local units.¹⁴ In Minnesota no such law has been enacted for any whole class of units, but something of the kind has been attempted for the three largest counties, as noted above, and also for a number of municipalities in northern counties, which have been subjected to so-called "cash-basis laws."¹⁵

CONTINUOUS CONTROL AND AUDIT

Equally productive of financial difficulties is the failure of most localities to provide for an audit of proposed expenditures before they are made. Appropriations are made, presumably, once a year,

¹³ *Ibid.*, Sections 808-19. See also William Anderson and Bryce E. Lehman, *An Outline of County Government in Minnesota* (Publications of the Bureau for Research in Government, No. 7, The University of Minnesota Press, 1927), pp. 58-61.

¹⁴ See Edwin O. Stone, *State Supervision of Local Finance in Minnesota* (League of Minnesota Municipalities Publication No. 30, 1930).

¹⁵ See, for example, Laws, 1933, Ch. 275. This law is probably unconstitutional because of its classification of villages. Others were enacted in 1931 and 1929.

by the allocation of definite sums to general expenditure purposes. These allocated sums are designated as "funds," such as "road and bridge," "poor relief," and so on. Throughout the year particular expenditures will be authorized and made, and in theory as well as in sound financial management, no expenditure should be made except for a purpose authorized by law as well as by the annual appropriation measure, nor should any expense be permitted in excess of the amounts appropriated.

In the counties the auditor is definitely charged with the responsibility for enforcing this principle. Cities of the first class, and several of smaller size, have comptrollers with broad powers of scrutinizing and disallowing particular expenditures. In other local units either the treasurer, together with the council, board, or some committee of audit, or some other officer, is supposed to exercise this power. Since the budget-making procedure is itself so inadequate, and no one person has the time and the authority to enforce the principle just stated, there is naturally a great deal of carelessness and laxity in expenditure. It is one of the handicaps under which all small units of government operate that they cannot provide adequately for a pre-audit of expenditures by skilled persons who know the law governing public expenditures and also the principles of accounting. Being forced to rely upon part-time, elective, and frequently changing personnel in offices of financial control, the small municipality, town, or school district generally cannot be sure of adequate local examination of expenditures before they are made. Sound budget practice is also frequently violated by numerous transfers of funds, so that the taxes levied for one purpose are often expended for others. This is partly due to arbitrary tax limitations, which local units thus try to avoid, but it is also due in part to the inadequacy of local financial control.

To a limited extent, a post-audit of expenditures will in time overcome some of the defects in local financing which arise out of the failure to control expenditures adequately before they are made. At least, if the same local treasurer remained in office for long periods, errors in expenditure called to his attention at the end of one year would be less likely to be repeated the next. The laws make various provisions for this post-audit. The state comptroller has the powers formerly vested in the public examiner to audit each year the accounts of each county and of each city of the first class, and to audit the accounts of other local units upon petition. Outside of counties and cities of the first class, his office

makes very few audits relatively to the total number of units, because the local unit must pay for the audit and even taxpayers who have reasons for suspicion concerning local expenditures do not always wish to put the community to the expense of the audit. These audits lose much of their value, also, because as a rule they come at long and irregular intervals.

In addition to the state comptroller's powers of audit, provision is made for local audits in certain classes of local units. County and town boards have powers of audit, village councils are to make up annual financial reports which may call for some auditing of expenditures, and more fragmentary provisions relate to regular audits in school districts. City charters usually provide for some sort of audit, but the requirements vary as to the frequency and the method of auditing.¹⁶

ACCOUNTING AND REPORTING

The problem of controlling expenditures is closely tied up with that of proper accounting. The state public examiner (now the state comptroller) has the power to "prescribe and install systems of accounts and financial reports, that shall be uniform so far as practicable for the same class of officers" in counties, and apparently also in all classes of cities.¹⁷ At one time the public examiner apparently installed uniform accounting systems in the counties, but the evidence presented in the annual financial statements of the counties suggests that uniformity of accounting is no longer practiced. Cities have not, apparently, been required to keep uniform accounts, and over all other local units the comptroller's powers are so limited that he probably could not insist upon uniformity. Aside from local opposition to any such requirement, there is the fact that the funds and staff available for the comptroller are totally inadequate for him to attempt to prescribe and install such accounts, much less to follow up the installation to see that the accounts are kept according to rule by the usually untrained, elective local officers.

Everyone who works with financial data knows the great value of a system of adequate and uniform accounts. On no other basis can the financial officers and the taxpayers know how a particular local government stands as compared with others. Such knowledge in turn provides one of the best ways in which to find out how

¹⁶ See Stene, *State Supervision of Local Finance in Minnesota*, pp. 17-24.

¹⁷ Mason's *Minnesota Statutes*, Sections 3278-80.

proper economies can be made. With uniform accounts there might be uniform reports, and such a compilation of financial data as would unerringly point out to any local unit its high and its low costs. In the absence of uniform accounts, financial reports have very little more than a local value, and even that is less than it would otherwise be.

Financial reports are today published regularly, as the law requires, by counties and less generally by other units. For the better planning of local expenditures and revenues in the future, it may be suggested that the state should proceed in the near future to establish uniform requirements with respect to budget-making, expenditure control, accounting, auditing, and reporting.

CHAPTER IX

THE DEBTS OF LOCAL GOVERNMENTS

The tremendous increases in local government debts in recent decades, and the serious effect which these have upon all local financing operations, make it necessary to devote special attention to this problem.

At the beginning of the calendar year 1934, state and local debts less sinking funds in Minnesota amounted to over \$328,000,000.¹ This amount gives an average of \$128 per capita, or over \$500 for the typical family of between four and five persons. The state debt accounted for over one-third of the total; city, village, and town debt for just under a third; and county and school district debts for another third between them.

Because of the lack of comparable earlier statistics, it is impossible to trace accurately the increase of public debts to their present proportions. In general the increase of debts parallels that of revenues and expenditures. According to the Bureau of the Census, the total of state and local debts in Minnesota increased as shown in Table 21. If these figures were made up into a curve, it would show a striking resemblance to the curves for revenue and expenditure increase shown in Figure 13 in Chapter 8.² There is the same slow but progressive rate of increase through the two decades before 1912, followed by the astoundingly sharp rise from 1912 to 1922, and the marked slowing up in the following decade. If calculated in terms of dollars of equal purchasing power, as in Figure 14, in the preceding chapter,³ the debt increase would appear to be less than it is in actual dollars, for the money borrowed for public improvements in "the prosperous twenties" had a low purchasing power, but even on this basis the debt increase is relatively greater than the revenue increase.

For each year since 1927 there is available a report by the State

¹ The best published statistical analysis and discussion of state and local debts in Minnesota appears in *Minnesota Year Book*, 1934, pp. 312-57. It is based upon the reports to the State Tax Commission, but is more detailed than the publication issued annually by that body under the title *Interest-Bearing Debts of the State of Minnesota and Its Municipalities*. Unless otherwise stated, the data used here came from the *Year Book*.

² See above, p. 172.

³ See above, p. 176.

Tax Commission on state and local indebtedness.⁴ From this it appears that from January 1, 1928, to January 1, 1934, the total amount of state and local debts decreased by about \$7,500,000, or just over 2 per cent. During this period all classes of local units reduced their debts by a total of about \$32,000,000, but in the same period the state debt increased by about \$25,000,000. The tendency

TABLE 21.—INCREASE OF STATE AND LOCAL DEBTS
IN MINNESOTA, 1890-1932 *

| YEAR | TOTAL STATE AND LOCAL DEBT | PER CAPITA |
|-----------|-------------------------------|------------|
| 1890..... | \$26,238,000 | \$20 |
| 1902..... | 40,684,000 | 23 |
| 1912..... | 70,363,000 | 33 |
| 1922..... | 269,608,000 | 113 |
| 1932..... | 285,112,000 | 111 |

* This table is compiled from the *Financial Statistics of State and Local Governments, 1931: Minnesota* (United States Bureau of the Census, 1934), and the Census Bureau's report on *Public Debt*, issued as a section of its 1922 report on *Wealth, Debt, and Taxation* (1924). The total for 1932 is less than that reported by the State Tax Commission because of a different handling of rural credits bonds and assets, and for other reasons. The per capita figures were calculated on the basis of the last preceding census of population.

toward the reduction of local debts continues, but the state debt is likely to become even larger than it is before it can be reduced materially.

Further analysis of the debt figures may be postponed until the problem of local debts has been considered more broadly.

DEBTS AND THE POWER TO BORROW

The term "debt" has a general and a special meaning. Every time a local government contracts to purchase anything, or employs a worker at stipulated wages, or has a judgment rendered against it, or borrows money, it becomes indebted, i. e., obligated to pay, to that extent. The debts of a local government in a broad sense would include all such obligations. In a more limited and special sense, however, the debts of a government are its formal obligations to pay for money borrowed. These obligations are called bonds, as a rule, but may also be called certificates of indebtedness, or notes, or something else. "Warrants" issued to pay current obligations for wages, supplies, etc., which get into the hands of banks

⁴ See footnote 1 above.

and others when the local government has no cash to pay them, are sometimes included with debts and sometimes not. In general it is borrowing, and debts resulting from borrowing, to which this chapter is devoted.

The function of borrowing in public finance is much the same as it is with private individuals. Normally one tries to live within his income for all constantly recurring expenses, but when some crisis is to be met, or some larger venture is to be undertaken—a farm, a home, or a park to be purchased, a factory or a courthouse to be built—current income is likely to be insufficient and even savings may be inadequate. The future satisfactions to be gained from so large an acquisition may justify borrowing and postponing to future years the repayment of the loan. A “pay-as-you-go” policy is, therefore, generally deemed to be the wisest one for all regularly recurrent expenditures, for governments as for individuals, but borrowing may be justified (1) in great emergencies, such as wars, earthquakes, and serious depressions, and (2) for the acquisition of expensive things of enduring value, particularly where the expenditure is of a type that occurs very infrequently.

The dangers of unlimited borrowing by governments are so great that all governments other than the central one are usually restricted in the use of this power. Many state constitutions put limits to the borrowing capacity of the state itself and of the local governments. The Minnesota constitution still includes a clause forbidding the state to incur debts for works of internal improvement,⁵ but there are today such important exceptions to it that it no longer seriously restricts state borrowing.

Local governments have, of course, no powers to borrow other than those conferred upon them by the state. It is only through state laws that local units obtain any power to borrow. Hence it follows that the state, and particularly the state legislature, has a very grave responsibility for all the borrowing that is done by local units.

In Minnesota there is no constitutional limit upon the debts of local units except that which forbids the legislature to authorize them “to issue bonds, or to become indebted in any manner to aid in the construction or equipment of any or all railroads to any amount that shall exceed five (5) per centum of the value of the taxable property” within such local unit.⁶ This provision was

⁵ Constitution of Minnesota, Article IX, Section 5.

⁶ *Ibid.*, Section 15.

adopted in 1879, and came too late to prevent much mischief that resulted from early municipal loans to railroads.

In the absence of constitutional limitations of any importance, the Minnesota legislature has had a fairly free hand in the control of local borrowing. While it has been insufficiently cautious at times, it has lately shown a commendable tendency to try to correct old faults, and to tighten up borrowing practices for all classes of units. The result is a noticeable improvement in recent years.⁷

PURPOSES FOR WHICH MONEY MAY BE BORROWED

The principal purposes for which bonds may be issued are set forth in the laws substantially as follows:⁸

CITIES AND VILLAGES

| | |
|--|--------------------------------|
| Public buildings | Sewers |
| Hospitals | Garbage disposal plants |
| Schools | Subways |
| Libraries | Streets, sidewalks, pavements, |
| Museums | culverts |
| Art galleries | Water supply |
| Park, parkways | Light, heat, and power plants |
| Bridges | Street railways |
| Waterways control | Telephone and telegraph lines |
| "Other public conveniences from which a revenue is or may be derived." | |

Bridges and roads within two miles of the corporate limits.

COUNTIES

| | |
|------------|------------------------|
| Courthouse | Public highways |
| Jail | "Steam traction roads" |
| Poor farm | Bridges |
| Hospitals | Morgues |

TOWNS

| | |
|-----------|----------------------------------|
| Town hall | Town roads and "bridges thereon" |
|-----------|----------------------------------|

SCHOOL DISTRICTS

| | |
|----------------------|--------------|
| School sites | Schoolhouses |
| All needed equipment | |

ALL LOCAL UNITS

| |
|-----------------------------|
| To pay judgments |
| To fund floating debt |
| To refund outstanding bonds |

In addition to these general provisions, various old special laws, more recent laws applying to only one or a few places each, and city charter clauses authorize borrowing for many other purposes.

⁷ See especially Chapter 10 in Mason's Minnesota Statutes.

⁸ Mason's Minnesota Statutes, Sections 1935-4, 1942.

Thus Ramsey County has become possessed of a golf course and a public swimming beach; many cities have airports, tourist camps, and other facilities; while school districts maintain playgrounds and other appurtenances to the schools. In short, for practically every new service that has been authorized, some power to borrow has been conferred on local units if any land, buildings, or permanent equipment were needed to render the service.

BORROWING PROCEDURES

As a check upon hasty or unwise borrowing, the general laws lay down certain regular procedures that must be followed.⁹ In some cases these are supplemented or superseded by provisions of special laws and charters. The procedure usually calls for a preliminary resolution by the local governing body, to be followed by a favorable vote of the electors at a general or special election. The majorities required are as follows: (1) Towns, counties, and cities, majority of those voting at the election; (2) villages and boroughs, five-eighths of those voting on the question; and (3) school districts, two-thirds of those present and voting.

In Minneapolis, ordinary borrowing takes place without a popular vote. The board of estimate and taxation in that city has the power to borrow on behalf of the city when requested to do so by the council or by some board. There are other exceptions, also, to the strict requirement of a popular vote on all local borrowing.

It is evident from the laws that the legislators have desired to make the voters feel directly the responsibility for local borrowing, so that any mistakes made could not be charged to the local officials. It may be, too, that they expected that the voters would be reluctant to authorize debts. There is practically no evidence at hand by which the efficacy of this check upon borrowing may be tested. That many proposed bond issues are defeated at the elections is well known, but how many more or less would have been approved if the whole responsibility were placed on the local board or council it is not possible to say. It appears, however, that voters have frequently been swayed by the desire for some immediate improvement, and that they have been less willing to vote taxes on themselves than to vote bonds to be paid in the future. Certainly in the boom years of the twenties the check of the popular vote seems to have had very little effect in keeping down borrowing; but it is equally certain that in recent depression years the

⁹ *Ibid.*, Sections 1038-6, 1041, 1043-46.

voters have more frequently turned against bond issues. The times, more than any particular device like a referendum on bond issues, seem to determine whether bond issues shall be many or few.

Following a favorable popular vote, the general practice calls for an advertisement for bids on the proposed bond issue, a public opening of the several bids, and the acceptance of the most favorable one. Generally the bonds are "not to be sold or disposed of for less than their face value with accrued interest, except when specifically provided by law." Interest above 6 per cent annually is prohibited.

The advantage of having some regular and formal procedure for borrowing is unquestioned. Those who buy the bonds generally wish to be assured that the issue is regular in every way, and in the case of large issues they may spend a good deal to employ attorneys to check the whole proceedings. The expense to which they are thus put must normally be recouped through a higher rate of interest. Something might be saved in the long run for Minnesota taxpayers if the attorney general of the state, and the county attorneys, were made responsible for checking the proceedings and had the power to issue certificates attesting to the regularity of issues so that they would be incontestable after a certain date except for fraud. This would be a valuable guarantee to the bond buyer, and he might well accept the bonds at a lower rate of interest if he saved personal attorney's fees and also had this assurance.

ANALYSIS OF PRESENT LOCAL DEBTS

At the beginning of 1934 the total indebtedness of state and local governments in Minnesota as reported by the State Tax Commission was as given in Table 22.¹⁰

At that time the true and full value of all taxable and tax-exempt property within the state, real and personal, was about \$6,000,000,000, or nearly twenty times the net public indebtedness. This makes the net public debt equal to only about 5½ per cent of all property values in the state, but in terms of taxation, were this debt to be retired by a state-wide uniform property tax, it would require a ten-mill tax fully collected on the assessed valuation of real and personal property each year for about twenty years to pay off the principal in equal annual installments. In the meantime interest at 4½ per cent would require a nine-mill tax the first year and decreasing rates each year until in the last year about a

¹⁰ *Minnesota Year Book*, 1934, p. 312.

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TABLE 22. — STATE AND LOCAL DEBTS, AS OF JANUARY 1, 1934

| UNIT | TOTAL DEBT | PERCENTAGE OF TOTAL | PER CAPITA DEBT |
|------------------------|------------------|------------------------|-----------------------|
| State | \$112,152,812.38 | 94.1 | \$43.74 |
| City and village | 100,318,685.46 | 90.5 | 62.15* |
| School district | 64,853,732.46 | 19.5 | 25.00 |
| County | 48,922,503.90 | 14.7 | 19.08 |
| Town | 3,074,540.58 | 0.9 | 3.18† |
| Total | \$328,822,274.78 | 99.7 | \$128‡ |

* In cities and villages only.

† In towns only.

‡ This is the crude average for the whole state. In most rural districts the average would be much lower, and in most urban places considerably higher.

half-mill tax for interest would be required. It happens, however, that the debt burden is far from being evenly distributed over the state, and that direct property taxation is not required for the retirement of all parts of the public debt.

The term "net indebtedness," used above, requires some explanation. Ordinarily, if a local government is to know all of its debts, as it should from time to time, its officers will have to sum up all outstanding obligations of every kind against the government, and consider these together as its gross debt. This sum, less any assets available for the payment thereof, would then in a sense be its net debt. A calculation similar to this is made by the Tax Commission in its annual reports on indebtedness.

According to common usage and statutory provisions a somewhat different calculation is made by local officers in calculating the legal net debt.²¹ The legislature has been especially interested in two things: first, the long-term debt which results from borrowing, as distinct from current obligations which are likely to be paid out of current local revenues; and second, particularly that part of this long-term debt which is likely to become a charge upon the general property tax. For that reason the general statutes on public indebtedness do not relate to "current and ordinary public expenses, but only to the authorized indebtedness, payable with interest at future and stated times." This means, in general, that part of the debt of local governments which is created by borrowing and which is represented by bonds and certificates of indebtedness.

From the gross debt, which is the sum of all bonds, certificates of indebtedness, warrants or orders issued by, and judgments ob-

²¹ Mason's Minnesota Statutes, Sections 1935, 1938-3, 4.

tained against, any local unit, the following items may be deducted to determine its net debt: (1) county highway bonds which are to be reimbursed by the state; (2) obligations issued to acquire, improve, or maintain waterworks, electric light plants, and similar public utilities, which are supposed to be capable of being self-supporting; (3) obligations which are to be paid from special assessments rather than from general taxes; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) "warrants or orders having no definite or fixed maturity"; and (6) the assets of the sinking fund which are to be used to retire outstanding bonds.

The annual reports of public indebtedness compiled by the Minnesota Tax Commission present a wealth of information about local debts, but no table which exactly conforms to the legal definition of "net debt." Instead it presents the "outstanding bonds less sinking funds," and the "outstanding warrants and certificates in excess of funds" to pay them. These two items added together give the figures on local debt burdens presented just above.

Excluding the state debt, the items of indebtedness here charged up to local units alone amounted to \$216,669,462, or on the average \$84.51 per capita of the whole population, and over 13 per cent of the assessed value of real and personal property exclusive of monies and credits.

These figures, while important and interesting, give no conception whatever of the net debt of local units as defined by law. For counties we must strike out most of the "ditch bonds," about \$21,500,000, since these are to be paid mainly by special assessments, in part by the state, which has assumed some of this debt under the Red Lake Game Preserve Law and other acts, and only in part by the local governments from property taxation. If these deductions are made, county "net debt" as defined by law drops to about \$27,000,000.

For cities and villages, likewise, all water and all light and heat bonds, totaling about \$21,000,000, can be eliminated. In addition a large part of road and bridge, sewer, street improvement, and park bonds in municipalities can be stricken out because payable by special assessments, and some part of building bonds likewise, since by law the Minneapolis auditorium bonds, over \$2,000,000, and the St. Paul city hall-courthouse bonds, though payable from property taxation, are outside the net debt limit. We can only estimate how much to deduct, but probably \$40,000,000 at least

should go out, leaving the legal "net debt" of cities and villages about \$60,000,000.

In addition, from all units some part of the debt in the form of warrants may be deducted—at a guess \$5,000,000 or more. By these deductions the legal net debt of all local units in 1933 becomes about \$163,000,000, or just over 10 per cent of the assessed valuation of property including moneys and credits, and about \$61 per capita. The school debt, a large item, is here included, although the income tax receipts are now pledged to pay this debt.

This recalculation in terms of legal "net debt" is important, but should not have too much emphasis. All the debts listed are legal debts and must be paid, whether by property taxes, income tax, special assessments, or otherwise. The state may fail to reimburse counties for highway bonds or may divert the income tax to other purposes, and other things may happen. For these reasons our analysis will follow in the main the figures reported by the Tax Commission. The accompanying table of estimated amounts probably payable from general taxes may, however, be of some interest.

Of the total local indebtedness reported by the Tax Commission, towns as such, with about 37 per cent of the state's population and 43 per cent of its assessed valuation, had in 1933 only about

TABLE 23.—ESTIMATED LOCAL DEBTS PAYABLE FROM PROPERTY TAX REVENUES IN 1930 *

| UNIT | DEBT WHICH WILL PROBABLY HAVE TO BE PAID FROM GENERAL TAX REVENUES | PERCENTAGE OF POPULATION CONCERNED | PERCENTAGE OF PROPERTY TAXABLE TO PAY | AVERAGE TAX RATE TO PAY 4½% INTEREST (IN MILLS) | AVERAGE PER CAPITA TAX RATE TO PAY 4½% INTEREST | TOTAL TAX REQUIRED TO PAY 4½% INTEREST |
|-----------------------|--|------------------------------------|---------------------------------------|---|---|--|
| Counties | \$30,000,000 | 100 | 100 | 0.7 | \$53 | \$1,350,000 |
| Towns | 3,000,000 | 37 | 43 | 0.16† | .14† | 135,000 |
| Cities and villages.. | 65,000,000 | 62 | 57 | 2.64‡ | 1.83‡ | 2,925,000 |
| School districts | 74,000,000 | 100 | 100 | 1.7 | 1.30 | 3,380,000 |
| Total | \$172,000,000 | | | 4.0§ | \$3.02§ | \$7,740,000 |

* This table was calculated on the basis of 1930 debt and valuation figures. Reduced property valuations since that time would tend to increase the tax rate needed to pay interest, but the income tax receipts since 1933 take care of much of the school district debt burden.

† In towns only. ‡ In cities and villages only.

§ Average for the state. The average for towns is 2.56 mills, and \$1.97 per capita; for cities and villages, 5.04 mills and \$3.66 per capita.

1.4 per cent of the total local debt—a little over \$3 per capita. Cities and villages as such, with about 62 per cent of the total population and 57 per cent of total assessed valuation, carried 46 per cent of the local debt, or over \$62 per capita. The rest of the local debt, including that for counties (nearly 23 per cent of the total and over \$19 per capita) and for school districts (over 29 per cent and \$25 per capita of the whole population), was spread more evenly over the whole state. For any particular community, of course, city, village, or town debt must be added to county and school district debt to make the correct total for that place.

The average local debt figure of \$84.51 per capita is somewhat misleading because of the great differences that exist between communities. On the basis of assessed valuation of taxable property, exclusive of money and credits, the local debt equals 13.39 per cent, or \$134 for each \$1,000 of assessed valuation. We must keep in mind, however, that the figures for "assessed valuation" do not include a great deal of taxpaying property, such as railroads, and that the average assessment probably does not exceed 30 per cent of full value. On the basis of full and true value of all property that pays taxes in one way or another, local debts probably equal about \$40 or less on each \$1,000 of full valuation, and the part which must be paid from local tax levies less than \$30 per \$1,000 of full value. This average, again, is of somewhat doubtful value because of the great differences in debt between one locality and another.

The local debt of over \$216,000,000 was very unevenly distributed throughout the state. Hennepin, Ramsey, and St. Louis counties and the local units therein accounted for over \$139,000,000, or nearly 65 per cent of the total. Ramsey had the highest per capita local debt, \$172.94, and little Lake of the Woods was a close second with \$170.94. Both these amounts were more than twice the average local debt figure of \$84.51. The highest per capita figures in general were in the three most populous counties, in the northern cut-over area (Cook, Koochiching, Lake of the Woods, Cass, and Aitkin counties, as well as St. Louis), and in certain counties with high drainage debts (Pennington, Marshall, Swift, Renville, and Murray). These all ran over \$100 per capita. The lowest local debts were, in general, in the southeastern rural counties, as shown in the accompanying map (Figure 15). The very lowest were Goodhue with \$15.91 and Carver with \$16.95 per capita.

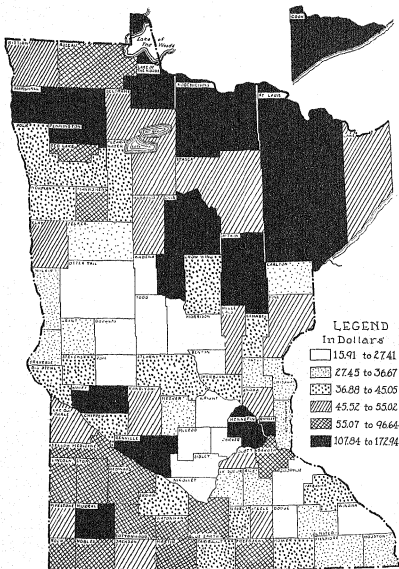


FIGURE 15.—PER CAPITA LOCAL DEBTS IN MINNESOTA COUNTIES

On a different basis, considering local debts as a percentage of assessed valuation of taxable real and personal property exclusive of money and credits, Koochiching County led the list with total local debts equal to 53.78 per cent of the assessed valuation. With money and credits included in the base, as authorized by law, Lake of the Woods led with over 40 per cent, but Cass, Cook, and Koochiching were close rivals, as shown in Table 24. The crude state-

TABLE 24. — TOTAL LOCAL DEBTS AND ASSESSED VALUATIONS IN SELECTED COUNTIES, JANUARY 1, 1934

| COUNTY | (A) ASSESSED VALUE INCLUD- ING MONEY AND CREDITS | (B) ASSESSED VALUE EXCLUD- ING MONEY AND CREDITS | (C) NET DEBTS OF ALL LOCAL UNITS | (D) PERCENT- AGE C IS OF A | (E) PERCENT- AGE C IS OF B |
|----------------------|--|--|--|-------------------------------------|-------------------------------------|
| Hennepin | \$538,368,628 | \$343,138,159 | \$63,467,378 | 11.78 | 18.50 |
| Ramsey | 251,705,912 | 169,925,902 | 40,585,023 | 19.70 | 29.18 |
| St. Louis | 340,854,333 | 299,345,554 | 26,004,810 | 7.62 | 8.69 |
| Cook | 1,029,611 | 967,694 | 391,878 | 38.06 | 40.50 |
| Koochiching | 5,904,304 | 4,154,309 | 2,234,034 | 37.83 | 53.78 |
| Lake of the Woods .. | 1,786,814 | 1,688,544 | 716,928 | 40.12 | 42.46 |
| Cass | 4,249,302 | 4,049,474 | 1,681,291 | 39.57 | 41.52 |
| Beltrami | 5,064,723 | 4,802,899 | 1,120,301 | 22.11 | 23.33 |
| Mahnomen | 2,092,504 | 1,997,868 | 570,024 | 27.24 | 28.53 |
| Goodhue | 22,637,410 | 18,514,596 | 498,103 | 2.20 | 2.69 |
| Carver | 11,960,579 | 10,878,188 | 287,105 | 2.40 | 2.64 |
| Sibley | 12,210,071 | 11,232,438 | 313,948 | 2.55 | 2.80 |
| Wright | 13,887,725 | 12,914,437 | 607,516 | 4.37 | 4.70 |
| Dodge | 8,740,476 | 7,988,008 | 318,339 | 3.64 | 3.99 |
| Nicollet | 9,031,085 | 7,912,151 | 355,830 | 3.94 | 4.50 |

wide average was 13.39 per cent with money and credits excluded and 10.65 on the other basis. The lowest counties were Carver, Goodhue, and Sibley with less than 3 per cent on either basis. In the latter counties the debt problem is obviously unimportant, but in those having the largest debts the burden is very difficult to carry.

While it is impossible to make an exact comparison of debt burdens between Minnesota and neighboring states, the figures of the Census Bureau summarized in Table 25 are of some value as an indication. Only Iowa among the adjoining states has a state and local debt burden approaching that of Minnesota, and that state alone exceeds Minnesota in local debt. The reason for this excess is that the Iowa counties issued and are charged with most of the highway bonds, whereas in Minnesota the state has assumed this body of debts.

DEBT LIMITS

Definitely aimed to keep down the amount of local indebtedness, in the interests of public solvency and the taxpayer's resources, are the statutory provisions with respect to debt limits. The latest general act on this subject provides as follows:

No municipality except school districts shall hereafter incur or be subject to a net debt beyond ten per cent of the last assessed valuation, as finally equalized, of all taxable property therein, including moneys and credits, and no school district shall incur or become subject to a net debt beyond twenty per cent of such assessed valuation.¹²

Certain exceptions are made to this provision.

TABLE 25.—PER CAPITA DEBTS OF MINNESOTA AND ADJOINING STATES IN 1932 *

| STATE | STATE AND LOCAL DEBTS | LOCAL DEBTS ONLY |
|--------------------|-----------------------------|------------------------|
| Minnesota | \$110 | \$72 |
| Wisconsin | 69 | 68 |
| Iowa | 97 | 91 |
| South Dakota | 73 | 51 |
| North Dakota | 53 | 45 |

* These figures do not agree with others used in this chapter because of the different basis used by the Census Bureau in making its calculations. Thus, for example, state rural credit bonds are not included, and there are other important differences.

Various parts of this important clause call for careful study. In the first place the term "municipality" as used in this law includes every county, city, village, borough, town, or school district. The reader will also remember the three levels of local government in the state. Each county is a municipality, and it may have a net debt up to 10 per cent of the assessed valuation of its taxable property (level 1). Each city, village, and town is a municipality, and each may have a net debt up to 10 per cent (level 2). Finally, the school districts covering the same area may have net debts up to 20 per cent (level 3). For most communities these add up to a legally possible "net debt" of 40 per cent of the assessed valuation, and for some communities it may be more.¹³

¹² *Ibid.*, Section 1938-4. Cities of the first class, apparently limited by this section to a 5 per cent indebtedness, are authorized by Section 1272 to increase the limit to 10 per cent by charter provision. Minneapolis and St. Paul have made such an increase, but apparently Duluth has not. A few other home rule cities also appear to have debt limits of less than 10 per cent.

¹³ That is, in cases where the legislature has authorized borrowing "outside the debt limit," or where it has made other special arrangements.

The basis on which these various percentage limits are to be calculated is not the full value of all property. The "assessed value" is to be used, and this for ordinary real and personal property is a percentage of full and true ranging from 10 to 50. Prior to the enactment of the homestead exemption law, the average for all property subject to ordinary taxes was about 37 per cent. Today it is probably closer to 30 per cent. But "money and credits" are also included in the base, and these are assessed at full value. Hence a calculation somewhat as follows must be made for each community:

| | <i>Mankato,</i> 1934 | <i>Minneapolis,</i> 1934 |
|---|-------------------------|-----------------------------|
| Assessed value of real property..... | \$6,013,447 | \$275,516,465 |
| Assessed value of personal property.... | 1,032,140 | 40,845,237 |
| Money and credits valuation..... | 2,006,048 | 190,246,649 |
| Total..... | \$9,051,635 | \$506,608,351 |
| Possible 40 per cent debt..... | \$3,620,654 | \$202,643,340 |

For the state as a whole in 1934 the valuation on this basis was \$2,033,815,570, and the maximum debt, if all three levels of local units had gone to the limit in debt, would have amounted to \$813,526,228. This is about two and a half times the entire state and local debt figure given at the beginning of this chapter. But "net debt" as defined in the statute quoted above applies only to local debt, and is a much more limited concept.

Local debts alone at the beginning of 1934 were just a little over one-fourth of the general limits at present in effect, even when some categories of debt are included which might legally be excluded. In other words, the laws permit local debts four times as large as they actually are. When it is considered that many communities whose debts are far short of the legal limits are already suffering seriously from their debt burdens, such limitations seem to be obviously open to criticism.

The defects in the present debt limit laws may be summarized under three heads: (1) defects in the base line against which debt is measured; (2) frequent legislative changes in the limits; and (3) overlapping of areas having power to borrow.

1. General property, both real and personal, is a commonly accepted measure for determining the limits of local indebtedness. Such property is subject to direct taxation for the payment of local debts; its taxpaying ability is in a sense pledged to the payment of debts; and the rate of taxation imposed on it can be shifted up

and down from year to year in order to make revenues adequate to meet recurring obligations for interest and principal payments.

In Minnesota the inclusion of money and credits in the base is open to serious question. This class of property is unstable in value (with the exception of money itself, which has more stability) and is somewhat easily moved outside the state or concealed; but more important than all other considerations, it is taxed at the fixed low rate of 3 mills on the dollar of full valuation, and of the 3-mill tax the local governments get only five-sixths, or 2.5 mills. Suppose, then, that \$1,000,000 in money and credits is reported and assessed in any municipality. Under a 10 per cent debt limit, \$100,000 could be borrowed against it, and under a 40 per cent limit, as described above, \$400,000. The tax revenue from the money and credits tax would be \$1,000 to the city or village, \$1,000 to the school district, and \$500 to the county, or \$2,500 in all. At the same time, 4 per cent interest on \$100,000 would amount to \$4,000, or far more than the total revenue from this source, and on \$400,000 would be four times as much. To borrow against such a resource, which does not pay enough tax even to cover the interest on the debt incurred, is clearly unwise.

2. As already stated, local debt limits in Minnesota are provided for by the statutes. Such a policy in itself is not highly objectionable, but if the limits are to mean anything the legislature needs to stand by them firmly session after session. This it has been unable to do, with the result that the limits are ever changing. One type of change is to be found in various laws, applicable mainly to cities of the first class, permitting borrowing for certain purposes "outside the debt limits" — that is to say, in disregard of the limits. In this way Minneapolis was authorized to borrow \$3,000,000 beyond existing limits to construct the municipal auditorium. There was, of course, the specious plea that the earnings of the auditorium would pay for it, but the experience in practically all other cities was to the contrary.

Changes are also frequently made in the base by the alteration, usually by the reduction, of the percentages of full value which are to be taken as the assessed values. The most recent case of this kind was the so-called homestead exemption law, already discussed,¹⁴ which reduced taxes on homesteads by reducing the ratio of assessed to full value on the first \$4,000 of value from 40 to 25 per cent for city homesteads and from 33½ to 20 per cent for farm

¹⁴ See Chapter VII.

homesteads. This was done without any compensatory adjustment of debt limits, with the result that a number of places previously well within legal limits found themselves with debts in excess of what the law permits on the new basis.

In short, there is very little stability in the present debt limits, and no real prospect of such stability until a new base is found, or until the legislature adopts an attitude of opposition to further juggling with the limitation laws.

3. Added to the defects already discussed is the fact that at the present time three overlapping levels of local units have independent power to incur debts. The school board does not have to consult the town, village, or city, nor do these in turn have to consult the county before borrowing. In fact, no unit has to consult any other. The responsibility for holding down the total debt burden rests almost entirely on the voters, acting through referendum on particular bond issues; but the voters are so divided in their interests, and in general so poorly informed about financial matters, that they are unable to maintain steady and consistent control. In fact, they are generally inclined to borrow and thus to postpone taxes rather than to assume the immediate tax burdens involved in a pay-as-you-go policy.

Partly as a result of this lack of any unified local responsibility for borrowing, and partly from other causes less subject to control, the total local debts in a number of counties are very high, and some are close to the legal limit of 40 per cent over all. This means, as a rule, that certain communities within these counties are above legal limits, although at the time the debts were incurred they were probably legal.

THE RETIREMENT OF BONDS

Closely connected with the question of debt limits is the problem of getting debts paid. Total debt burdens cannot be kept down unless old bonds are retired before new ones are issued.

Prior to 1927 practically all bonds sold by local units in Minnesota were what are known as "sinking fund" or term bonds. That is to say, each entire issue would run for a fixed number of years, say twenty or thirty, and all would fall due at once. In theory the local unit would set aside each year in a sinking fund enough money so that the accumulation at the end of the term, with interest earned, would be sufficient to retire the entire issue. The theory was better than the practice. It overlooked the fact that many

towns, school districts, and small cities and villages had no experience in such matters, that banks were not always safe, and that proper investments for sinking funds are not easy to find. Even large cities and counties find it very hard to administer their sinking funds properly, and the temptation to keep the tax rate low instead of building up the sinking fund, or to spend tax revenues for other purposes, is so great that one would have to travel far to find a perfectly administered sinking fund.

TABLE 26.—TOTAL INDEBTEDNESS AND SINKING FUND ASSETS, JANUARY 1, 1934

| UNIT | TOTAL INDEBT- EDNESS | SINKING FUND ASSETS | PERCENTAGE RATIO OF SINKING FUND ASSETS TO TOTAL INDEBT- EDNESS |
|---------------------------|----------------------------|---------------------------|--|
| Counties | \$48,922,504 | \$2,056,409 | 4.2 |
| Towns | 3,074,540 | 34,090 | 1.1 |
| Cities and villages | 100,318,685 | 4,579,974* | 4.5 |
| School districts | 64,353,732 | 5,895,021† | 9.1 |

* Excluding amounts allocated to school debt retirement in Minneapolis and St. Paul.

† Including \$4,659,294 allocated to this fund in Minneapolis and St. Paul from general sinking funds.

Two evidences of this are sufficient. First is the large amount of refunding bonds always outstanding in local governments, and the large number of special acts enacted by the legislature from time to time to permit refunding. When bonds fall due and there is no sum on hand in the sinking fund to pay them, there is generally only one thing to do, and that is to issue refunding bonds to exchange for the old bonds or to raise the money to pay them off. Refunding operations have increased greatly in the past few years.

The other evidence of the poor administration of local sinking funds is to be found in the figures of the amounts actually accumulated in them. The last published debt report contains the figures given in Table 26.

It is true that the bonds issued by localities since 1927 have been largely of the serial type, which do not require the accumulation of sinking funds, and that since 1933 the proceeds of the income tax have been pledged in major part to the payment of school district debts. This use of the income tax revenues was necessary, however, because of the inadequate provision made locally for paying these obligations—for the apparently good showing of school

district sinking funds is due almost entirely to the arbitrary allocation to the local school debts of over \$4,650,000 from the general sinking funds of Minneapolis and St. Paul, funds actually accumulated by the municipal authorities.

In general the larger municipalities have made better provision for sinking funds than smaller places, but at best the record is very poor. The accumulations reported are almost everywhere inadequate, and refunding, or the issuing of new bonds to take up the old, is almost inevitable.

An important act passed in 1927 set the local units upon a new course in the matter of bond issues and repayment.¹⁵ It provided that local bond issues, with certain exceptions, should be of the serial type. That is to say, when the bonds are issued and sold, a certain number are dated to mature each year. The first ones must be paid off within three years, and the largest amount paid off in any one year must not be more than two and one-half times the amount retired in any other year. Thus for bonds of recent issue a sinking fund in the usual sense will not be required. A fairly even amount of each issue will fall due each year, and a tax collected that year for the purpose will be used at once to retire the bonds falling due.

This is not all. Whenever new bonds are issued, the local unit issuing them must at that time levy a tax, irrevocable until the bonds have all been retired, sufficient to pay the interest on outstanding bonds and the principal of all bonds falling due in any year. The county auditor, who also keeps a register of new bonds issued, is required to levy this tax annually on taxable property in the local unit concerned. The tax so levied and collected may be used for no other purpose. Thus debt retirement becomes more or less automatic and is removed from the arena of taxpayer politics in the locality concerned. Only serious tax delinquency can upset the regular payment of bonds.

An important principle embodied in this act is that public obligations should be met and discharged when due. The law aims to regularize all interest-paying and debt-retiring operations, and to prevent the postponing of settlement dates by refunding and other operations. It goes somewhat further, in fact, in that it puts time limits, none exceeding thirty years, on bond issues for various purposes, according to the estimated life of the improvement made or of the property acquired.

¹⁵ Session Laws, 1927, Ch. 131; Mason's Minnesota Statutes, Section 1938-3 ff.

Had this important law been enacted some years earlier, Minnesota's local governments might have met the stress of the depression without serious impairment of their credit. As it was, the depression with its accompaniment of excessive tax delinquency and the need for carrying on services despite loss of revenues made sound financial management almost impossible. To meet a number of local emergencies the legislature was compelled to enact various measures to permit the refunding of bonds over long periods of time, the scaling down of debts where necessary, the reduction of interest payments through negotiations with bondholders, the issuance of state loans of a new type to distressed local units, and assumption by the state of various categories of local debts. This body of legislation is too complex and technical to be summarized here, but out of it have emerged certain new principles of great importance for the future.

Most important of all, the state legislature has recognized the state's responsibility for local debts and debt policies. In cases like those of the drainage debts, where the counties had to assume debts to pay for ditches which they had not approved, the legislature has contrived to relieve them by having the state take over the debts in return for a clear state title to tax-delinquent lands in the districts affected. In other cases, where bankruptcy or a compromise with the creditors faced certain localities, the state became a money lender, borrowing on its own credit in order to lend to the distressed communities. With respect to school debts, which rested directly upon property taxes, it found a way to give relief simultaneously to property owners and to local units by allocating the revenues from the income tax to the payment of these debts.

It was perhaps inevitable that the state should take an increased interest in local borrowing in recent years. As custodian of the permanent school, university, internal improvement, and swamp land funds, it had become the largest single creditor of the local governments. By 1934 it held approximately \$35,000,000 in the bonds of school districts and municipalities in the state. Although these bonds were more fully secured as to both interest and principal than most other local bonds issued in the state,¹⁰ even the state was not certain of repayment in all cases and had to make some compromises with the local units.

If the state is thus to be compelled, for the preservation of its own funds as well as the credit of its local units, to help the latter

¹⁰ Mason's Minnesota Statutes, Sections 1955-69.

out of their financial difficulties, it has little choice but to move forward to new measures of state and local control of local borrowing and debt administration. When the storms of the depression have passed there will be need for constructive work upon this problem. The outlines of a new plan were offered by an important bill in the 1935 legislature, but this bill alone did not go far enough. The minimum needs would seem to be the following:

1. The entire local debt in any county should be considered more or less as a unit, although the largest cities might be partially exempted, and in each county some body should be responsible for controlling local debt issues.

2. The debt limit should be based upon as firm a foundation as possible, probably the full valuation of real property or real and personal property, but exclusive of money and credits.

3. The total local debt chargeable against any community should not be permitted to exceed seven or eight per cent of full and true valuation, as defined above, without special precautions being taken for full public hearings on any proposed bond issue; and it should not exceed 10 or possibly 12 per cent in any case.

4. Bonds issued to provide utilities which can actually be made to pay their own way in whole or in part should be exempted from this limitation only to the extent that the utility earnings provide for principal and interest.

5. The legislature should provide by its own rules that no bill to increase the borrowing power of any local government could come to a vote without having been referred to the State Tax Commission for study and report.

6. The Tax Commission should have special facilities for the study of debt problems.

7. Legislative policy should discourage refunding and other methods of postponing debt payments, and encourage pay-as-you-go as much as possible.

From the depression local governments may be expected to learn at least some part of the lesson of unwise borrowing and delayed repayment of loans. As times grow better, tax delinquency decreases, and balanced budgets become the order of the day, every effort should be made to get out of debt. Other things being equal, those local governments are best prepared to meet emergencies which have no bonded debts.

CHAPTER X

STATE AID

The people of Minnesota laid the foundation for a system of state aid for schools in the original constitution, by the following provision:

The proceeds of such lands as are or hereafter may be granted by the United States for the use of schools within each township in this state, shall remain a perpetual school fund to the state. . . . The principal of all funds arising from sales, or other disposition of lands, or other property, granted or entrusted to this state in each township for educational purposes, shall forever be preserved inviolate and undiminished; and the income arising from the lease or sale of said school lands shall be distributed to the different townships throughout the state in proportion to the number of scholars in each township between the ages of five and twenty-one years, and shall be faithfully applied to the specific objects of the original grants or appropriations.¹

At that time and later there were those who argued against the permanent state fund plan; they wanted the lands or the principal sums derived from sales to be granted at once to the localities. But better counsels prevailed. In most other states the funds were soon dissipated. In Minnesota the fund has continued to be a source of annual revenue to the schools and to grow in principal amount at the same time, even in years of depression, until today it is larger than ever. Thus the faith has been kept.

Twenty years after the adoption of the constitution, with the initiation of a state-wide high school system the state began to appropriate additional funds to assist the localities in the support of their high schools. These appropriations, correctly designated as state aids, grew very slowly until well down into the present century. Furthermore, there was no comparable state aid for the support of other local functions. The constitution provided that "The state shall never contract any debts for works of internal improvement or be a party in carrying on such works, except in cases where grants of land or other property shall have been made to the state, especially dedicated by the grant to specific purposes, and in such cases the state shall devote thereto the avails of such grants, and

¹ Constitution of Minnesota, Article VIII, Section 2.

may pledge or appropriate the revenues derived from such works in aid of their completion."²

This proviso contemplated the grant offered by the national government of 5 per cent of the proceeds of public lands sold in the state, and possible future grants of land to be used for internal improvements.³

The proceeds from the so-called "internal improvement land fund" were used for various improvements, mainly roads, but as late as 1909 roads were held to be internal improvements of the kind for which the state could not contract debts to be paid from taxes, and to the building of which it could not be a party, according to the first part of the section quoted.⁴ It was not until 1898 that any provision was made in the constitution whereby the state could levy taxes for road construction and improvement, and the first authorization of this kind limited the permissible tax to an amount so small that it was nearly negligible.⁵

It was not until the present century was well begun, and the standard of public demands was rapidly rising, that old restrictions, customs, and ideas that stood in the way of state participation in local services were generally broken down and the state entered more largely into the financing of the functions of local government, or, alternatively, took over some of the more important and expensive ones. The trunk highway amendment to the constitution in 1920, the revision of the school aid laws in 1921, and the division of the gasoline tax between the state and the counties in 1929, stand out as important steps in the development of the new financial relations of the state and local governments.

In the fiscal year 1934 the state paid over to the local governments of the state more than \$20,000,000 toward the support of local services. In spite of the depression, partly because of it, state payments increased by more than \$3,000,000 between 1930 and 1934. Table 27 gives the distribution of the 1934 payments.

It will be noted that the school districts receive more than half of all state payments to localities, that counties are a close second, and that cities, villages, and towns are far down the list. In fact,

² *Ibid.*, Article IX, Section 5.

³ Enabling Act, United States Statutes at Large, 11:166-67, Section 5 (February 26, 1857). The same act offered the people of Minnesota the school and university lands.

⁴ *Cooke v. Iverson*, 108 Minn. 388, 122 N. W. 251 (1909).

⁵ The so-called "road and bridge fund" amendment, Article IX, Section 16. The first tax authorized for this fund amounted to only one-twentieth of a mill. The present rate is one mill.

TABLE 27.—STATE PAYMENTS TO LOCAL GOVERNMENTS IN THE FISCAL YEAR 1934 *

| FUND | To SCHOOL DISTRICTS | To COUNTIES | To CITIES AND VILLAGES | To TOWNS |
|---|------------------------|----------------|------------------------------|--------------|
| School fund apportionment.... | \$3,484,268.70 | | | |
| State aid | 6,251,702.17 | | | |
| Income tax school fund..... | 994,327.50 | | | |
| Rural credits land tax aid..... | 194,185.81 | | | |
| Gross earnings tax aid..... | 151,400.00 | | | |
| Smith-Hughes federal vocation- al aid | 128,743.89 | | | |
| George-Reed federal aid | 40,511.67 | | | |
| State-owned land tax aid..... | 50,000.00 | | | |
| Public school library aid. | 20,418.36 | | | |
| Aid to schools in Indian terri- tory | 16,640.00 | | | |
| Aid to evening schools for adults | 11,551.00 | | | |
| Gas tax $\frac{1}{2}$ road and bridge... | | \$3,600,000.00 | | |
| 1-mill tax road and bridge.... | | 1,477,591.52 | | |
| Trunk highway bond reimburse- ment | | 1,566,615.48 | | |
| County sanatoriums | | 458,498.34 | | |
| Red Lake Game Preserve (3 counties) | | 401,270.34 | | |
| Reforestation and flood control (3 counties) | | 271,857.04 | | |
| Marshall County reforestation | | 199,044.81 | | |
| District court judges' salaries, etc. | | 332,794.23 | | |
| Drouth relief | | 423,421.19 | | |
| Inheritance tax distribution.... | | 231,618.99 | | |
| Drainage assessments, state land | | 40,391.31 | | |
| County agricultural agents | | 59,884.01 | | |
| Sheriffs' mileage, etc..... | | 15,781.63 | | |
| Power companies' gross earnings | | 6,686.35 | | |
| Counties with 35 per cent state land | 7,500.00 | 7,500.00 | | |
| Counties with 75 per cent delin- quency | | 7,500.00 | | |
| Insurance tax aid to fire de- partments | | | \$178,307.06 | |
| Cigarette licenses | | | 125,000.00† | \$13,644.10† |
| Gross earnings tax aid..... | | | 60,000.00 | |
| Employment agency licenses... | | | 1,512.50 | |
| Total | \$11,351,240.10 | \$9,201,356.24 | \$364,819.56 | \$13,644.10 |
| Comparable total for 1930.. | \$9,882,873.39 | \$7,011,058.36 | \$391,039.29 | \$32,415.27 |

* Compiled from the Biennial Report of the State Auditor for 1933-34.

† Division of cigarette licenses between cities, villages, and towns estimated.

the amounts paid the latter types of local units are almost negligible, and come mainly as the return to them of certain taxes and licenses collected within their limits.

This favoritism toward the school districts and the counties on the part of the state is closely related to the purposes of the pay-

ments. More than half of the total (all that the school districts receive, and a small part of what goes to the counties) is devoted to educational purposes. Nearly three-fourths of the payments to counties are to be expended upon the roads or go to paying road bonds issued by the counties. Less than 14 per cent of all payments covers all other purposes: relief of counties burdened with drainage debt, county tuberculosis sanatoriums, so-called drouth relief, district court salaries and expenses, fire departments in cities and villages, in about that order of importance, and certain smaller expenses, with small amounts available for general local purposes. A short description of each of the major forms of aid will serve to give a better picture of the entire situation.

SCHOOL AID AND APPORTIONMENT

State payments for the support of local schools have not only increased greatly in amount in recent years, but also account for an increasing percentage of all local school expenditures. In 1930 about 18 per cent of all local school funds came from the state; in 1934 over 25 per cent. The money paid by the state to school districts may conveniently be discussed in connection with certain funds and legislative acts.

1. The *endowment fund* consists mainly of the income from the permanent school fund. The latter fund, which now amounts to over \$63,000,000, invested in approved bonds and mortgages, earns about \$2,500,000 annually. To this income is added one-half of that from the swamp land fund, or nearly \$200,000 additional each year. These sums, according to the constitution, "shall be distributed to the different townships throughout the state in proportion to the number of scholars in each township between the ages of five and twenty-one." Prior to 1935 the statute provided for the "apportionment" of this endowment fund by saying that the money should be paid semiannually to the school districts which maintained schools for at least seven months of the year, in proportion to the number of pupils in attendance at least forty days during the preceding year.

2. The *current school fund* consists of the proceeds of a one-mill tax levied annually on the general property taxable as such throughout the state. The annual yield of this tax is now about \$1,400,000. It rose at one time to over \$2,000,000, but in recent years reduced property valuations and tax delinquencies have cut the yield more than one-fourth. This fund, says the statute, "shall

be distributed on the same basis and at the same time as the endowment fund except such part as the state auditor on the recommendation of the State Board of Education shall set aside from the current school fund each year for distribution with the special state aid fund."⁶ In 1934, \$500,000 was taken from this fund and put into the state aid fund; the balance of about \$900,000 was added to the income of the permanent school fund and distributed in the same way. Thus it will be noticed that some of the revenue from this one-mill tax is added to the earnings of the permanent fund for distribution. The total fund so apportioned in 1934 was \$3,484,268, or about \$6.60 per pupil to all public schools in the state. As previously stated, this apportionment is not usually spoken of as "aid" at all, but is looked upon as merely the distribution of a fund to which the schools have a legal right.

3. The *special state aid fund* consists of "the sums appropriated by the legislature for special aid to public schools or departments in the schools,"⁷ plus such part of the current school fund, but not over \$500,000 a year, as may be added to the special aid fund by the state auditor on the recommendation of the State Board of Education. The amounts legally available for the special aid fund in the fiscal year 1934 were as follows:

| | |
|--|-------------|
| Legislative appropriation | \$5,760,000 |
| Transferred from current school fund | 500,000 |
| Gross earnings tax aid | 160,000 |
| Evening school aid | 6,000 |
| Public school library aid | 20,000 |
| Federal aid for vocational education (approximate) . . . | 152,000 |
| Total (approximate) | \$6,598,000 |

Closely related to these aids are those for schools on Indian reservations, for the vocational training of disabled persons, and for other minor educational functions. Very similar also is the standing annual appropriation of \$50,000 to be distributed by the state auditor to counties for the use of school districts in which a large amount of land is owned by the state and therefore tax exempt, and the \$200,000 appropriated in 1933 for relief of school districts in which the state rural credits bureau holds tax-exempt farms.⁸

⁶ Mason's Minnesota Statutes, Section 3024.

⁷ *Ibid.*, Section 3022.

⁸ Session Laws, 1911, Ch. 341; 1933, Ch. 406, 426.

The amounts thus made legally available were not actually available in full, mainly because of lack of sufficient revenue. Certain aids, such as those for teacher-training departments and for the tuition of nonresident high school pupils, must be paid in full, and other minor aids are likewise paid without reduction. For the rest, and this means for the largest items, the State Department of Education is compelled to reduce or to "prorate" the aids in proportion to the funds on hand. As a result the amounts actually distributed are less than those appropriated in some important cases. Table 27 gives the amounts actually paid out, as reported by the state auditor. Although the special state aids have been somewhat reduced in recent years, there has been a great increase over a longer period, as shown in Table 28.

TABLE 28. — STATE AID AND APPORTIONMENT FOR PUBLIC SCHOOLS, 1911-34 *

| YEAR | STATE AID | APPORTION- MENT |
|-----------|-------------|--------------------|
| 1911..... | \$1,350,991 | \$1,951,137 |
| 1915..... | 1,777,509 | 2,362,999 |
| 1919..... | 3,593,004 | 2,708,172 |
| 1923..... | 5,491,135 | 3,003,764 |
| 1927..... | 6,304,227 | 3,565,682 |
| 1931..... | 6,707,662 | 3,979,653 |
| 1934..... | 6,575,423 | 3,484,268 |

* Compiled from the biennial reports of the state auditor and the biennial financial statements of the State Board of Education.

4. The *income tax school fund* is the most recent addition to the list of aids for school districts. It was established in 1933 by the income tax law enacted at that session.⁹ According to its terms the net proceeds of this tax shall be put into a separate fund to be distributed semiannually to all school districts in the state "on the basis of population therein of compulsory school age." It is further provided that each district shall be entitled to its share of the proceeds "without being subject to any conditions." The children of compulsory school age (8 to 16) need not be in school, or if in school, need not be in the public schools. The proceeds are to be used in each district first to pay off any school debt, and second to "pay current operating expenses and to reduce and replace levies on real and personal property." The amount so distributed during the first fiscal year was nearly a million dollars, but this represented

⁹ *Ibid.*, 1933, Ch. 405, especially Section 57.

less than a half of the amount collected the first year, the rest being distributed later in the calendar year 1934.

The purposes of special state aid for schools are declared in the statutes to be as follows:¹⁰

1. To assist in providing equal educational opportunities for all the school children of the state.
2. To assist in establishing certain generally accepted minimum standards for all public schools of the state.
3. To assist school districts whose tax levies for maintenance are exceptionally high.
4. To stimulate educational progress by grants of state aid for superior efficiency and high standards and for desirable educational undertakings not yet generally established.
5. To provide for the maintenance of teacher-training departments in high schools.

The income tax school fund is more clearly a fund to help reduce property taxation and public school debt. Similarly the rural credits land tax aid, the state-owned land tax aid, and the gross earnings tax aid are designed more to keep down property taxes in certain districts which would otherwise be especially burdened than to raise the standards of education.

In a recent bulletin the State Department of Education presented certain criticisms of the state aid system as it then operated. It said:¹¹

It is generally recognized that state aid is not only desirable but absolutely essential if approximately equal educational opportunities shall be extended to all the children of the state and if the burden of school support shall also be equalized to any considerable extent.

The present system of state aid does not make it possible for all school districts in the state to provide approximately equal educational opportunities for their children. Some of the wealthier districts would be financially able to provide an enriched educational program without any state support while a large number of other districts find it well-nigh impossible to maintain even a meager educational offering with the present state aids.

The present system of state aid, furthermore, can scarcely be said to equalize the burden of school support. In 1934 one hundred sixty-one school districts had no special tax for school maintenance while sixty-six districts had a tax rate of over fifty mills, and three districts of over one hundred mills; the maximum being one hundred twenty-three mills.

The state [has lately] distributed . . . between \$11,000,000 and \$12,000,000 annually to public elementary and secondary schools. Almost \$10,000,000 of this amount was distributed without regard to the financial

¹⁰ Mason's Minnesota Statutes, Section 3027.

¹¹ See *Minnesota Schools*, Vol. 1, No. 4 (January-February, 1935), pp. 15-18.

needs of the school districts. Supplemental aid, which was designed to assist school districts with limited financial resources, amounted to less than \$2,000,000 after prorating. The changes suggested in the special state aids are designed to increase the amount of supplemental aid so as to make it possible for school districts to come closer to providing equal educational opportunities for all the school children of the state and to equalize the burden of school support.

On the basis of this analysis, it made the following recommendations in the form of a legislative bill which the department summarized as follows:

1. It is recommended that classification aids, aids for special departments, and for special classes for defectives be reduced approximately one-third or approximately to the amounts paid after prorating in 1934.

2. Provision is made for a six-year graded school with three teachers and a six-year high school with four or more teachers including the superintendent.

3. The transportation in consolidated school districts is increased from a maximum of \$3,600 per school to a maximum of at least \$6,000 per school.

4. The library aid is changed from a maximum of \$20 per school and \$40 per building to \$.50 per pupil in average daily attendance, provided the district appropriates a like amount.

5. It is recommended that the law passed at the 1933 session of the legislature limiting the tax on agricultural lands in independent school districts to the average for the common school districts in the same county be amended so that the tax rate for school maintenance on agricultural lands in all districts maintaining high or graded schools and in unorganized territory be limited to the average rate for school maintenance of the common school districts in the same county and to a maximum of one-third of the rate for school maintenance on the nonagricultural lands in the same school district or unorganized territory.

6. The most important change suggested in the laws relating to state support of public schools is in the supplemental aid law. It is proposed that if a school district levies thirty mills, or the maximum legal rate for school maintenance, and the proceeds of such tax together with all funds received from the state, except transportation aid, that may be used for school maintenance does not yield the equivalent of \$60 for each resident elementary school pupil in average daily attendance and \$100 for each resident high school pupil and each nonresident high school pupil for whom the state pays tuition, in average daily attendance, the state shall make good the difference as supplemental aid.

7. The State Board of Education may at its discretion grant additional supplemental aid to school districts in which a thirty-mill tax, or the maximum legal rate, together with all funds received from the state that may be used for maintenance will not yield \$1,000 per classroom unit.

8. The bill further specifies that the supplemental aid when added to all other funds received from the state which may be used for school maintenance and to the proceeds of the thirty-mill tax, or legal maximum

tax, for maintenance shall not exceed the total maintenance cost of the schools in such district nor shall it exceed such maximum per classroom unit as may be established by the State Board of Education.

9. At present, almost one-half of the money distributed by the state for the maintenance of public schools is based on the number of pupils attending school forty days or more. The changes suggested in the basis for the distribution of apportionment and supplemental aid would base these aids on the average daily attendance throughout the school year. The proposed changes furthermore would make it possible for all schools in the state to obtain a minimum of \$60 per elementary school pupil and \$100 per high school pupil in average daily attendance from state funds together with the proceeds of a local levy of thirty mills or less on urban property and ten mills or less on agricultural lands. Transportation costs would not be included in the maintenance expenditures of \$60 per elementary pupil and \$100 per high school pupil in average daily attendance. The state would pay transportation aid in addition to the other aids.

The 1935 legislature approved and enacted into law nearly all the more important recommendations here outlined.¹² The classification and definition of schools eligible for aid were so changed as to advance the movement toward six-year grade schools and six-year high schools. To obtain apportionment from the endowment fund and the current school fund, districts must now maintain schools for eight months each year, and the apportionment is to be based on the average daily attendance instead of on forty days attendance. The changes recommended in the special aid laws and in supplemental aid were also enacted. Hereafter any district in which agricultural land is paying the maximum legal school tax and nonagricultural property is paying a thirty-mill school tax, and in which the taxes plus all other revenues, including regular state aid and apportionment, are insufficient to yield \$60 for each resident elementary school pupil and \$100 for each high school pupil, the state will pay, if there are funds available, enough to make the total available for school maintenance equal to these amounts. The maximum legal tax on agricultural lands for school purposes is defined in another 1935 act in such a way as to remove the former discouragement to consolidation movements.

There is now a strong likelihood that, with a differential of \$40 between high school and grade school pupils with respect to state aid, and with six-year high schools approved by law, many districts which are now unwisely trying to maintain an eight-year elementary school will combine with others to send their seventh and eighth grade children to a central high school. This body of laws

¹² Session Laws, 1935, Ch. 214, 288, 289, 290.

may prove to be the beginning of new movements for larger districts, and for a much improved system of state aid.

STATE AID FOR ROADS

The state road and bridge tax already mentioned, authorized in 1898 but not made effective until 1905, was the first state-wide tax for highway support. The rate of the tax is now and for some years has been one mill. This tax is levied regularly each year on all taxable property. The proceeds rose once to about \$2,000,000 a year, but they have since declined to less than \$1,400,000. Whatever amount is thus obtained is apportioned by the State Highway Department to the several counties of the state. No county may receive more than 3 per cent of the proceeds, and none less than 1 per cent, or from about \$13,000 to \$39,000.¹³

The manner in which this tax operates to raise road funds in certain parts of the state for purposes of expenditure elsewhere, or in other words for widening the tax base in a geographical sense, is illustrated in Figures 16 and 17.

Figure 16 shows how the excess of collections from Hennepin, St. Louis, Ramsey, and other counties is matched by an excess of allotments over collections in certain other counties. Northern Minnesota counties, with the exception of St. Louis, Itasca, Polk, and Otter Tail, receive much more than their taxpayers contribute. All the excess of allotments to the counties in the northern part of the state is matched, however, by the excess of collections from St. Louis County. (See Figure 17.)

Similarly, the excess of contributions from Ramsey County equals the excess of allocations of funds to the other counties in the area designated as Ramsey district, while Hennepin County's excess of contributions takes care of the excess of allotments in all the remaining counties. The taxpayers in a considerable number of southern counties also pay in more than their counties receive from this fund, but the excess is not so marked as in the case of Hennepin, St. Louis, and Ramsey counties.¹⁴

As the first state-wide method of financing roads in Minnesota,

¹³ The constitutional ratio is from one-half of 1 per cent to 3 per cent, but the legislature has raised the lower limit to 1 per cent. This is a great advantage to counties of small area and consequently a handicap to large counties, since there is less left to apportion after each small county has received its 1 per cent.

¹⁴ The state income tax shows an even more striking excess of contributions from the most populous centers, with a corresponding distribution of most of the taxes there collected to other areas. In this case, however, not only is the geographical basis of support widened, but there is also a shift from property taxation to income taxation.

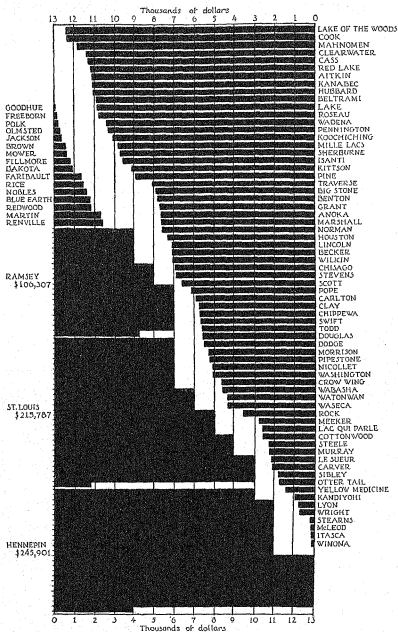


FIGURE 16. — EXCESS PAYMENTS INTO ROAD AND BRIDGE FUND (LEFT) AND EXCESS RECEIPTS FROM IT (RIGHT)

In any particular year the amount received by this fund will not exactly equal the payments from it. Similarly, as in this case, the excess payments into it from some counties will not precisely equal the excess payments from it to other counties.

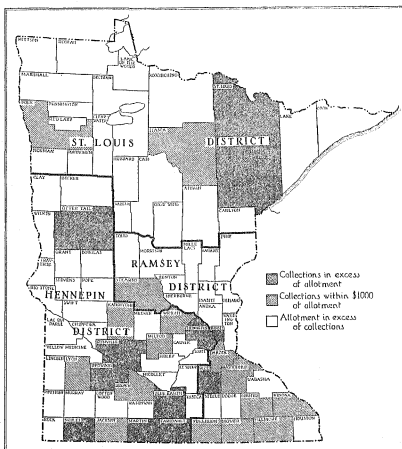


FIGURE 17.—COUNTY AND REGIONAL DISTRIBUTION OF EXCESS PAYMENTS INTO, AND RECEIPTS FROM, ROAD AND BRIDGE FUND, 1933

the road and bridge levy has performed good service. It has helped to make residents of the large cities conscious of rural road needs and to compel them to contribute to their support. Nevertheless there is now a considerable sentiment against this tax, and there has been some talk of repealing it. After all, it is a property tax, and as such it is hard to justify when all property taxes are seemingly so burdensome. There is also the argument that motor vehicle and gasoline taxes, which contribute nothing to other local services, should pay more of the state's road bill. The distribution of the road and bridge levy has, moreover, no close relationship to the needs of the several counties. Road needs depend upon the mileage

of roads and the volume of traffic, but these cannot be given adequate consideration after some 70 or 75 per cent of the annual fund has been taken to make the required contribution to each small county. Resistance to change comes, of course, from the counties most benefited.

Prior to 1921 the roads on which the road and bridge fund was expended were called state roads, and the mileage of such roads reached 13,653 in 1920. Under the trunk highway amendment of 1920, about 7,000 miles of these roads were taken over as trunk highways. The remaining mileage was then designated "state-aid roads." Up to 1933 these roads included about 16,500 miles, as the result of additional designations after 1920, and constituted the most important system of secondary roads in the state. The average annual state contribution to these roads was about \$120 per mile for all purposes, but of course the counties put in a great deal more.

In 1924 the constitution was amended to authorize a gasoline tax to be expended exclusively on the state trunk highways. This tax immediately began to produce a large revenue, and the logic of using it to support other roads as well was so apparent that a movement soon began to divert a part of this tax to the counties for road purposes. This was done by constitutional amendment in 1928 and by legislation in 1929. The amendment required that one-third of the proceeds of the gasoline tax be placed in the road and bridge fund. By legislation the tax was increased from two cents a gallon to three cents, and provision was made for the apportionment and expenditure of the counties' portion of the tax. According to this law no county may receive more than three, and none less than three-fourths of one per cent of the tax. The money is to be expended by the county on roads designated by the county board as "county-aid roads." These may include "any county or town road" in the county, "and any portion of a county line or town line road with the construction and maintenance of which such county or any town therein is charged, but no state-aid road shall be designated as a county-aid road."

The obvious purpose of this legislation was to provide state aid for the minor roads of the state. In addition to this result, a number of others were incidentally achieved. First, a new class of roads was created, called "county-aid roads." It stands between town roads on the one hand and state-aid roads on the other. Secondly, many miles of the more important town roads were taken off the

hands of the towns and transferred to the counties, since "all county-aid roads shall be constructed, improved, and maintained by the county." Thirdly, until the change made in 1933, the state was giving much more aid to these minor "county-aid roads" than it could legally give to the more heavily traveled "state-aid roads." In 1934 the counties' portion of the gasoline tax amounted to \$3,600,000, or more than twice as much as the one-mill tax for state-aid roads. Each county received from \$27,000 to \$108,000 from the gasoline tax, as against a maximum of about \$39,000 and a minimum of \$12,912 from the one-mill tax.

To have left the matter at this juncture would have been doubtful wisdom, for apparently more state-collected money was being allocated to minor roads than to the important secondary or state-aid roads. The next step was taken in 1933 when the legislature, declaring in a preamble that at least 75 per cent of the mileage of the existing trunk highway system had been constructed and permanently improved, as required in Article XVI of the state constitution, enacted a law adding 141 new short connecting routes to the seventy specified in the trunk highway system.¹⁵ This made a total addition of about 4,500 miles to the nearly 7,000 miles already in the system. The routes thus incorporated in the trunk highway system came mainly from the class of state-aid roads, so that the mileage in the latter class was considerably reduced. By this reduction, the one-mill-tax road and bridge fund was made relatively more adequate to the maintenance of the remaining mileage of state-aid roads.

In addition to the two types of state aid for roads already mentioned, there are the so-called highway reimbursements. In 1919 and 1920, many counties floated bond issues in order to begin at once the improvement of the routes included in the proposed trunk highway system, with the understanding among all concerned that if the trunk highway amendment passed, the state would reimburse the counties as to both interest and principal. As a result, over \$30,000,000 in county highway bonds is in fact being carried by the trunk highway funds of the state. In the first few years, very little more than interest payments was needed, but later the bonds began to fall due and had to be paid or be refunded for later payment. At any rate, here is another form of state aid to counties for highway purposes, and one which requires large annual sums.

¹⁵ Session Laws, 1933, Ch. 440. See also the corresponding proposed constitutional amendment, Chapter 439, which failed of adoption at the 1934 election.

Between the road and bridge property levy and the gas tax diverted to counties for the county-aid roads there is one important difference. From the beginning the State Highway Department has had close supervision over the expenditure of the property levy, but when the gas tax was diverted it was expressly stipulated that the state department would have no such supervision over the spending of the gas tax money. It is true, of course, that a more local class of roads was to be improved and maintained with this money, but this does not justify the arrangement. The people of the whole state contribute to the gasoline tax, and they have a right to know that it will be wisely and economically spent in every county. Only through state supervision can this be achieved.

AIDS FOR OTHER PURPOSES

As shown in Table 27 above, the aids for other than school and road purposes constitute less than one-seventh of all state payments to local governments. Their importance is one of principle rather than one of amount.

Drainage debt relief.—When certain northern counties began, in the late twenties, to become seriously burdened by drainage debts as a result of the failure of property owners to pay their assessments, the legislature was confronted with a problem to which only one answer could fairly be given. The laws had been so drawn as to promote drainage projects wherever a small number of property owners desired them. The county authorities had very little power to prevent them, but the counties had to issue the bonds for construction and to pay the contractors. When debts which had thus been virtually imposed upon them could not be paid, and the bankruptcy of certain counties was threatened, the state had to come to the rescue.

The method of relief adopted varied according to time and place. Various game preserve, flood control, and reforestation laws were passed, under which the state agreed to pay the interest and principal of certain drainage bonds, receiving in return a clear title to the delinquent lands for use as game preserves, forests, and flood control or water conservation areas.¹⁰ The details need not concern us here. Seven counties in the northern half of the state were relieved in 1934 to the extent of over \$1,100,000 for these purposes under such laws. This is, of course, mainly an emergency measure designed to avoid possible bankruptcies. Of less importance finan-

¹⁰ See Session Laws, 1929, Ch. 258; 1931, Ch. 407; 1933, Ch. 402.

cially is the related but more continuing arrangement under which the state pays the counties for drainage assessments on its own lands.¹⁷

General public relief and drouth relief.—While the care of the poor is legally a charge upon counties or upon cities, villages, and towns, the state has occasionally stepped in with emergency relief measures. These have grown in number and importance ever since the World War, and the people were already becoming accustomed to the idea of state responsibility for relief when the depression began in 1929. By 1933 the problems of relief had become so difficult that despite liberal federal aid the state had to assume a direct part in the financing and administration of relief. In part this has meant direct relief by the state, in part the allotment of funds to needy counties. The fiscal year 1934 saw over a million dollars of state funds put into relief, of which over \$400,000 went to the counties as aid. Whether direct relief to individuals or state aid to local units is to be the future policy no one can say at present, but it is not likely that the state can avoid choosing one or the other course. It is unlikely that the local units will again be asked to carry the whole burden.¹⁸

County and regional sanatoriums represent the most important health and welfare activities of local governments which have received state aid regularly and for any considerable length of time.

The *judicial functions* of the counties receive state aid in the form of direct state contributions to the salaries and expenses of the district judges. In fact the district judges, although elected in and for certain counties or groups of counties, and although paid supplementary salaries by the counties, have become from most points of view state judicial officers.

State aid to localities through the sharing of certain revenues is represented by the inheritance tax, the tax on insurance companies, and the cigarette tax, as well as by the gasoline tax noted above. The counties may use their share of the inheritance tax and cities, villages, and towns use their portion of the cigarette tax for general purposes. On the other hand, that part of the tax on insur-

¹⁷ See *ibid.*, 1933, Ch. 426, p. 814.

¹⁸ By Session Laws, 1935, Ch. 357, the old-age pension law is changed so that the state will pay half and the counties half of the old-age pensions. The same act appropriates \$2,000,000 from the state treasury for the biennium 1935-37 for this purpose. Will this act be better carried out than the former law under which the state was to pay a share of the mothers' pensions? See Anderson and Lehman, *An Outline of County Government in Minnesota* (Publications of the Bureau for Research in Government, No. 7, The University of Minnesota Press, 1927), pp. 79-81.

ance companies which is returned to cities and villages goes to support the local fire departments.

Direct state appropriations for general county purposes appeared in two laws of the 1933 session. These were emergency measures, to aid Koochiching and Lake of the Woods counties.¹⁹ The justification in the first case was that over 35 per cent of the land in the county was state-owned and non-taxpaying. In the other case excessive tax delinquency was the excuse. In each case the county was to get \$7,500 for general county purposes, but in the Koochiching County law \$7,500 was added for school purposes.

Of the other aids listed in Table 27 above, that for the support of county agricultural agents and agricultural extension work is probably most important.²⁰

Parallel to these numerous aids to local units, but not listed in Table 27, are those for the use of county and district agricultural societies, for regional livestock and dairymen's associations, for poultry associations, for boys' and girls' clubs, for wolf bounties and horse thief bounties, and other purposes which might be local charges if not supported by the state. All together, the appropriations for these semi-public activities in 1934 exceeded \$200,000.

LOCAL SERVICES RECEIVING LITTLE AID

Despite the great increase in state aids of various kinds and for various purposes, many local services receive little or no financial aid from the state. Outstanding examples are local police departments, sheriffs, prosecuting attorneys, and local courts—in fact the whole machinery of law enforcement with the exception of district courts. Health services also receive little or no financial aid, with the exception of the sanatoriums already mentioned. Financial management, property assessment, and tax collection depend almost entirely on local support. Annual audits of the accounts of counties and cities of the first class are the only important exception. Poor relief until the last two years was wholly a local matter, and the experience of the counties with state aid in connection with mothers' pensions was somewhat disillusioning.

The urban services, in a sense the most local of all—parks, playgrounds, local streets and sidewalks, street lighting and cleaning, water and sewer systems, and public utilities—receive practi-

¹⁹ Session Laws, 1933, Ch. 318, 322.

²⁰ In some years the construction, repair, and maintenance of local armories is a considerable expense on the state. In 1934 the state did little for them, but evidently the national government did a good deal with PWA and CWA funds. FERA and SERA also gave aid, direct and indirect, to various local projects.

cally no aid from the state. This is only natural. There has been a tacit recognition by legislators that some functions are of general, state-wide interest, whereas others, although not sharply marked off in every case, are of mainly local concern. Local officials have recognized this broad distinction and have desired local freedom in the handling of the more localized services even though that meant purely local financing as well.

As to the intermediate group, however, such as health, police, courts, and financial management, a greater state interest is urgently needed and will probably come in one form or another in the present generation.

THE PURPOSES OF STATE AID AND INTERVENTION

The motives which lead a state to take keen enough interest in the affairs of local governments to aid them financially are varied and complex. In general they can be summarized under these heads:

1. The desire to prevent the local services from falling so low as to bring discredit upon the state, either in a financial or moral sense, and to prevent local units from injuring others through bankruptcy, the destruction of resources, the pollution of streams, etc. This is a negative but often a powerful motive for intervention.

2. The desire to secure to all the state's inhabitants, as far as possible or at least as far as is conveniently feasible, a minimum standard of efficiency in the rendering of essential services. This is a more positive motive. It suggests that there are known and accepted standards for the essential functions, such as education, roads, health, and police, and that the people are willing to make constructive and positive efforts to attain the desired goal. This in turn implies a consciously directed effort to reach and attain a certain standard of living.

3. The desire to equalize the burdens of taxation as far as possible over a wide geographical area, so that wealthy districts may help out poorer ones in the maintenance of the minimum standards of service. Here enters the idea of helping out the necessitous area through a county-wide or state-wide tax, but without any necessary change in the tax system.

4. Beyond this geographical widening of the area of taxation for the support of services lies that of broadening the base of taxation by tapping all the taxable resources of the community for the support of common services. This objective appears in our time

particularly as a movement to shift some of the tax burden from the real estate owner through the adoption of income, inheritance, sales, and other kinds of taxes.

All these motives, but especially the last three, are well illustrated by the history of school support in this state.

HOW THESE OBJECTIVES CAN BE OBTAINED

In government there is never just one way of attaining a desired goal. The objectives suggested by the various purposes just stated can be attained in varying degrees, by a number of methods other than that of state aid to local units.

1. One way is to have the state, or even the national government, assume full responsibility for the function in question. For example, if local police forces are expensive and wasteful and fail to give good law enforcement, the state might abolish them and set up one completely unified state police system, supported by state-wide taxes. This is a major operation and will not be lightly undertaken.

2. Alternatively, the state might take over some police functions and perhaps subject the local police to some supervision in the performance of their remaining duties. This would be a less drastic step. Some improvement in service, and also some equalization of tax burdens might result.

3. Another possible alternative would be to increase the size and reduce the number of local units giving police service. In general, large units can give better service, and they certainly help to broaden the basis of support in the geographical sense, and facilitate effective state supervision.

4. State aid coupled with some supervision, and either with or without change of the local administrative units, is another possibility. If the units were enlarged at the same time, state supervision would probably be easier and the burden of support more evenly distributed.

Other possibilities might be mentioned, but these probably suffice to show the range of possibilities. Now it happens that Minnesota has tried nearly all these methods for different services, in part or in whole, and state aid needs to be considered not by itself but as one of several devices for adjusting the relations of state and local governments in a dynamic and changing society.

Along with the great increase of state aid has gone a considerable state assumption of functions formerly considered local. The

trunk highway system is an outstanding example, but there are many others. Teacher training long ago became mainly a state function. The care of special classes of dependent and defective persons was long ago lifted from the poor relief authorities in the local governments and placed on the shoulders of the state.

Similarly the state now sends its workers and its services into every locality to provide for needs once cared for, if cared for at all, by local authorities. Even the most casual scanning of the state's annual expenditures reveals many examples—soldiers' relief and burial, eradication of noxious weeds, apiary inspection, canning inspection, the inspection of steam boilers, inspection and licensing of many vocations and professions, maintenance of numerous parks and monuments, control and conservation of natural resources, direct health services, livestock weighing, and unnumbered others.

To repeat, then, the central question is not that of state aid, but what should be the relations of the state and local governments in general. Which functions are better handled by the state directly, and which by the localities? How much and what kinds of state supervision shall there be over local services? To what extent and how shall the state give aid in cases where aid seems to be the wisest method of getting results, and how much supervision shall go along with state aid?

Granting that state aid is only one method of adjusting the relations of state and local governments properly for the performance of desirable services, the permanent retention of an aid system will depend upon its success—and its success in turn will depend upon a number of factors, such as (1) the basis on which the aid is distributed, (2) requirements as to the matching of funds, (3) central supervision, (4) efficiency in local use of the funds, and (5) the certainty or uncertainty of the amounts of aid given.

1. The distribution of the funds granted follows in some cases one and in some cases another principle. a. The school endowment fund has been so much annually for each child who attended a public school for forty days during the year. b. The income tax fund is so much for each child of school age, whether in public school or not. c. The road and bridge one-mill fund is fixed to give each county at least one per cent of the total. d. Special-aid school funds allow so much for a first grade teacher, so much for maintenance of a particular type of school or of a certain department or type of work, and so on.

It is clear from this brief list of examples that no single principle has been followed in the formulation of aid policies. The two essential principles, namely, that aid should be apportioned to need, and that it should be conditional upon the giving of at least a minimum of service, are not consistently followed. Out of the maze of the complicated school aid laws some districts have been able to get enough state aid to do without any local tax whatever, while others have been unable to get enough to operate even when they levied excessively high taxes. The apportionment of the one-mill road and bridge tax to counties for road purposes is in no sense proportioned to needs. We have already seen how unequal are the different counties in population, area, and wealth. Every county, no matter what its size, its road mileage, its traffic density, or its ability to pay, receives at least one per cent of this aid. The gas tax fund is only a little better apportioned in that each county is guaranteed only three-fourths of one per cent.

2. When state aids must be matched to some considerable extent by locally raised funds and the two amounts be expended together on the same project, the chances that expenditures will be carefully made are somewhat increased. So far in Minnesota there are practically no express requirements as to local matching of funds, but to a considerable extent matching is necessary because state aids are insufficient to cover the expense. There are exceptional cases, however, in which the state pays all. Thus, as already noted, some school districts each year have got along entirely on state aid and apportioned school funds. A few, in fact, have received more than they needed. School transportation expense is also paid for many districts entirely by the state. In these cases, certainly, there is no incentive to local economy in expenditure. As long as the state cannot afford to give all the school and road aid that is desired, considering the needs of the state as a whole, it would seem reasonable that state aid should not be granted until the local authority has matched the state's effort by raising at least a minimum local tax for the same purpose; and that to raise the standard of service in any district above the state-wide average, the state should not as a rule contribute more than half of the funds needed.

3 and 4. Central supervision and efficient local use of the funds distributed are closely connected topics. There is only one way in which the state can be sure that state aid funds are being wisely spent, and that is to exercise a certain amount of supervision over

expenditures. Such supervision is very difficult with respect to the nearly seven thousand common school districts, which are supervised mainly by the locally elected county superintendent in each county, and is practically forbidden with respect to the expenditure of the gas tax funds on county-aid roads. The very considerable success of the one-mill road and bridge fund in the building of state and later state-aid roads was undoubtedly closely connected with the state supervision which accompanied it. Now the much larger gas tax fund is being expended without any such supervision. The cost for similar work between one county and another may differ greatly, yet the state as a whole has no way of ascertaining the facts.

Efficiency in expenditure is to some extent proportional to the size of the administrative unit. If all spending units, such as counties and school districts, were of a certain minimum size or larger, and sufficiently large to provide effective controls over their own expenditures, the state would have little cause for concern. The relatively high degree of success attained in Great Britain with central government aids to local governments results largely from the fact that the local units are mostly large, competent, and well organized. In Minnesota the existence of numerous very small units makes the attainment of such a result very uncertain.

If the local spending units were large and competent, state supervision could be reduced to a minimum and still be effective. As it is, the units to be supervised, especially in school administration, are so numerous that state supervision to be effective would have to be very expensive. Also, the state legislature has kept the funds available for central supervision so small that direct and effective work is really not possible.

5. The certainty or uncertainty of the amounts of aid is a matter of no small importance. If the needs of local units could be determined in some fair way, and if each unit could then be assured that for eight or ten years it would be entitled to certain fixed sums, local budgeting and financial planning would be much simplified and the legislature would avoid to some extent the biennial scramble of local interests seeking changes in the state aid laws. On the other hand, the aids need to be revised at certain intervals, say after each national census, because the amounts will get out of date.

The present state aid laws vary all the way from constitutionally fixed grants, such as the school endowment fund, which varies

only a little in amount from year to year and has not been changed in principle since the state was founded, to grants based on biennial legislative appropriations more or less subject to change at any session. The assignment of part or all of certain revenues, such as the gas tax, the inheritance tax, and the cigarette license tax, results in some rise and fall of local revenues with the yield of these taxes and necessitates local raising and lowering of the property tax rate to meet required expenditures. In recent years, as the assigned revenues decreased, the local property taxes have had to be increased.

There would probably be some real gain to both state and local finance if the state were to fix the amounts of payments from all sources to local units at some definite point. This point would be below the expected yield of such taxes in good times but above that point in depression periods, so that there would be greater certainty all around. At present the whole system of aid is in a state of constant flux, and no legislative session goes by without important changes being proposed and passed.

Clearly, state aid has both its advantages and its disadvantages for the localities as well as for the state. Once the state treasury has been opened to make payments for some local services, the number and variety of new demands is indescribable. Just as the states now look upon the national treasury, the localities look upon the state treasury—as an inexhaustible source of revenue. Localities which could afford to finance themselves expect as much aid as poorer places. The tendency to “play poor” is not confined to individuals. Laws designed to help out poor and weak local units may result, also, in keeping them alive and may thus prevent wholesome reorganization or dissolution of definitely submarginal units. In other cases, state aids introduced to ease the local tax burden are not followed by local tax reductions.

On the other hand, the advantages of state aid appear to be so great that the system as a whole probably should be retained with improvements rather than abolished. What seems to be needed is a revision of the laws which will make the various aids conform to agreed principles and empower the state departments so to enforce them that aid is given where it is needed and where it will do the maximum of good. The legislature alone, sitting once in two years in a veritable whirlwind of bills, is in no position to do alone all that needs to be done. Adequate powers and discretion must finally be conferred on the state departments.

PART III
THE FUNCTIONS OF LOCAL GOVERNMENT



CHAPTER XI

THE RANGE OF THE LOCAL SERVICES

Civilization is a word we use often but find very hard to define. It is frequently contrasted with barbarism and savagery, and sometimes even with the rude conditions of the frontier or pioneer communities. The pioneers themselves, as in the early days of Minnesota, may have some book learning and include many cultured people, but the conditions under which they live may fall considerably short of the conditions in older settlements. Thus civilization may be said to imply two related factors: cultivation, civility, and gentleness in the people themselves, and physical surroundings which have yielded to man's struggle for a comfortable and dignified mode of life.

Whatever the disputes over the precise meaning of the term, civilization in the Western world implies the progressive conquest of nature, the establishment of highways, roads, and streets, the provision of public utilities, such as water, electricity, transportation and sewer service, schools and libraries, protection of public health, provision for the needs of the poor and of defective and delinquent persons, and a host of other activities of the public authorities for the general welfare. While the Oriental may find the satisfaction of his desire for culture and civilization in mental contemplation and personal philosophy, though he lives in poverty and want, the man of the West demands for himself a convenient and wholesome physical environment and a high material standard of living. In short, civilization implies for him the existence of a wide range of well-administered public services, as well as good housing, good clothing, and good food.

Then, too, when the range of public services is surveyed, it is clear that in number and in usefulness the functions of local government are of outstanding importance in our civilization. The national government continues to spend a great deal on wars, past and future, while almost all the services of state and local governments contribute directly to the public welfare. Schools, roads, police, courts, poor relief — these are the important objects of local expenditure.

To trace in detail, step by step, the rise of the public services in Minnesota would be an interesting exercise which we must forego for lack of time and space. From small and simple beginnings there has come a development which, in less than a hundred years, from the founding of the territory in 1849 and up through statehood, has put Minnesota well up among the leading states in the quality and quantity of public services. This rapid increase of public functions has been associated with a number of other developments, most notably the following: (1) the increasing density of the state's population; (2) the rise of large cities which require many public services; (3) increasing wealth and ability to pay; (4) the spread of public education; (5) rising standards of living; (6) the coming of new inventions, such as electric light and power, automobiles, and others; (7) changing attitudes of the people concerning the propriety of government services. In place of a firmly entrenched individualism, there has come an increasing friendliness to socialization of many functions.

The fiscal importance of local services has been presented in the chapter on expenditures.¹ In the accompanying table the principal activities are classified according to their nature and also according to the unit which performs them. No summary table of so complex a subject can pretend to be either complete or accurate, but if properly interpreted it may reveal many important facts.

The first column (A) gives the general nature and class of the function. There are twelve different "overhead functions" (I) and twenty-two "direct service functions" (II) in the list. In general the "overhead functions" represent means and not ends. They are services performed not so much because of their immediate value to the people as because of their utility in aiding the performance of other functions which the people desire. They are indispensable to the functioning of the government. If well handled they contribute greatly to the promotion of economy and good administration. The "direct service functions" speak for themselves, but it is more difficult for taxpayers to see the need for spending money on the "overhead" activities.

In column B the state-wide, or potentially state-wide, services are listed. These are performed mainly by the counties, but in the case of educational services the school districts are principally responsible. In column C the city and village, or mainly urban, services are listed, and in column D the town services, which reach

¹ See Chapter VIII.

TABLE 29.—THE MAJOR LOCAL SERVICES AND FUNCTIONS

| (A) | (B) | (C) | (D) |
|--|---|--|---|
| SERVICE OR FUNCTION | SCHOOL DISTRICT AND COUNTY SERVICES (potentially state- wide; county unless otherwise design- ated) | CITY AND VILLAGE SERVICES (mainly urban) | TOWN SERVICES (mainly rural) |
| I. Overhead functions | | | |
| 1. General government | County boards, etc.; school boards | Mayors and councils | Supervisors |
| 2. Elections | County supervision, bal- lots, canvassing, etc. | Judges, clerks, polling places, ballots | Judges, clerks, ballots, etc. |
| 3. Selection and control of appointed personnel | Counties (a little); school districts (a great deal) | A great deal in larger places: civil service commissions; pension systems | Practically none |
| 4. Ordinance making | Counties (very little); school districts (as to care of school property, etc.) | Ordinances on many important subjects | Very little— fencing, im- pounding of cattle, etc. |
| 5. Budgeting | County auditors and boards; school districts (some) | Some councils, etc. | Town treas- urers and su- pervisors |
| 6. Property assessment | County auditors super- vise | Assessors | Assessors |
| 7. Review of assessments | County boards of re- view | Councils | Supervisors |
| 8. Tax collec- tion | County treasurers col- lect most taxes | Very little | ..... |
| 9. Accounting, expenditure control, audit, etc. | County auditors, treas- urers; school district treasurers | Comptrollers (a few) Treasurers | Treasurers |
| 10. Public records | Proceedings of county boards; registration of deeds, titles, etc.; mar- riages; licenses of many kinds; school records of many kinds; court rec- ords | Registration of births, deaths; records of council proceedings, etc. | Registration of births, deaths; town records |
| 11. Legal ad- vice | County attorney: ad- vice, legal documents, drafting, etc. | By city attorney: ad- vice, legal documents, drafting, etc. | ..... |
| 12. Purchasing and storage of supplies | County boards; school boards | By cities and villages | By towns (very little) |
| II. Direct service functions | | | |
| 1. Courts | District courts, clerks, courthouses; probate courts; court commis- sioners | Municipal courts or justices of peace | Justices of peace |
| 2. Prosecution of offenders | County attorney | By city attorneys in larger places | ..... |

TABLE 29. — *Continued*

| (A) | (B) | (C) | (D) |
|--------------------------------------|---|--|---------------------------------------|
| SERVICE OR FUNCTION | SCHOOL DISTRICT AND COUNTY SERVICES (potentially state- wide; county unless otherwise design- ated) | CITY AND VILLAGE SERVICES (mainly urban) | TOWN SERVICES (mainly rural) |
| 3. Law en- forcement (general) | Sheriff, deputies, coro- ners | By city and village police and marshals Patrol Detection | By town con- stables |
| 4. Corrections | County jails, some home schools for boys and girls | City workhouses (a few) | ..... |
| 5. Welfare, relief | Direct (outdoor) relief, county poor farms, mothers' pensions, old- age pensions, child wel- fare boards | Direct relief; lodging houses | Direct relief |
| 6. Hospitals | County sanatoriums | City and village hos- pitals | ..... |
| 7. Health | Health boards for un- organized territory; pub- lic health (county); nurses; school nurses | Boards of health; quarantine, vaccina- tion, etc. | Boards of health |
| 8. Sanitation | Very little | Sewage disposal, gar- bage removal, street and alley cleaning, in- spection of foods, res- taurants, etc.; ceme- teries | Very little |
| 9. Parks, recre- ation | Very little by counties. School playgrounds and recreation programs | Parks, boulevards, re- creation, organized sports, band concerts, etc. | ..... |
| 10. Education | County superintendent of schools School districts: Ungraded schools (ru- ral) Graded schools High schools Some evening schools Some kindergartens A few junior colleges Many and varied school courses and activities | (St. Paul; but see "School districts" at left.) | ..... |
| 11. Libraries | Some county library ser- vices (contractual); school libraries | City and village li- braries, branches, etc.; art museums; natural science museums | ..... |
| 12. Promotion of agricul- ture | County fairs; agricul- tural agents; loans for explosives for clearing land, weed control, etc. | ..... | Weed control |

TABLE 29. — *Continued*

| (A) SERVICE OR FUNCTION | (B) SCHOOL DISTRICT AND COUNTY SERVICES (potentially state- wide; county unless otherwise design- ated) | (C) CITY AND VILLAGE SERVICES (mainly urban) | (D) TOWN SERVICES (mainly rural) |
|--|---|---|---|
| 13. Regulation of business | Transient merchants, peddlers | Numerous regulations of hotels, restaurants, manufacturers, whole- sale and retail dealers, peddlers, and transient merchants, weights and measures, etc.; li- censing of many occu- pations and businesses | Transient mer- chants, ped- dlers |
| 14. Highways, roads, streets | State-aid and county- aid roads, construction and maintenance | City and village streets, alleys, boule- vards, pathways, etc.; construction, paving, curb, gutter; mainte- nance, lighting, traffic signals, traffic control, and street signs | Town roads: construction and mainte- nance |
| 15. Public buildings | County courthouses, jails, poorhouses, etc.; public schools | City halls, police and fire stations, public works buildings, etc. | Town halls |
| 16. Public works | Dams, lake level con- trols | Docks, wharves, har- bor buildings, termi- nals, central markets, public baths, airports, tourist camps | ..... |
| 17. Drainage | Judicial and county drainage ditches | Storm sewers, drain- age of low places, etc. | Town drainage ditches |
| 18. Water supply | ..... | Pumping stations, res- ervoirs, mains, hy- drants, filtration plants, etc. | ..... |
| 19. Utilities | ..... | Electricity, generation and distribution; gas (Duluth); central heat- ing; fuel yards | ..... |
| 20. Fire pro- tection | ..... | Volunteer and paid fire departments; fire stations; equipment, signal systems, and in- spection | ..... |
| 21. Housing control and building regulation | ..... | Cities of first class mainly | ..... |
| 22. Zoning, city planning | ..... | Cities and larger vil- lages | ..... |

primarily the rural population. Since it was impossible in the table to describe fully the nature of the services, it seemed best to indicate the function by a word or phrase, or to name the office or official body which is responsible for it. Thus I, 6, property assessment, is supervised by the county auditors (column B), but is actually performed by city and village (column C) and town assessors (column D).

Even as presented in so condensed a table, the great scope and variety of the local services makes an impressive showing. A list which pretended to be anywhere near complete would fill many more pages. Numerous items, such as advertising the advantages of the city or county, the maintenance of "great white ways" in the business sections of cities and villages, rewards for the apprehension of criminals, park refectories, free textbooks, animal rescue work, school transportation, and smoke abatement, would cause some taxpayers to ask, "Why should the local government provide such things?" The question of "frills" as against necessities in public service will never stay down. To some men the great multiplication of governmental services may appear to be nothing short of a triumph for the forces of waste and extravagance. At the other extreme one might well find those who would approve almost any extension of the public services as inherently desirable.

Behind each of the public functions there should be and usually is some legal authorization. The state constitution itself says very little about local services. Most of them have been authorized by acts of the legislature, as illustrated by the acts of 1933 authorizing St. Louis County to provide free seed to destitute farmers² and Hennepin to regulate and forbid the use of public bathing beaches in the county.³ Cities may confer municipal powers on their governing bodies by their home rule charters, for such charters are, within limits, equivalent to legislative acts.⁴

Behind the legislative act, in turn, stands some group, more or less extensive and influential, which has desired the new service. It is probable that a majority of the citizens would approve in many cases, but it is seldom that a popular vote is taken on legislative acts to prove this point. For this reason it is not demonstrably true, as is sometimes said, that "the people make the laws, the legislators only enact them." So many acts go through the leg-

² Session Laws, 1933, Ch. 276.

³ *Ibid.*, Ch. 364.

⁴ *Park v. City of Duluth*, 134 Minn. 296, 159 N. W. 627 (1916); *State ex rel. Oliver Iron Mining Co. v. City of Ely*, 129 Minn. 40, 151 N. W. 545 (1915).

islature for particular local units because the legislative delegation from the place requests them, and so few of these are clearly backed by a favorable local vote, that no generalization is possible. Special interest groups undoubtedly prevail in many cases.

It is sometimes urged that all new services calling for additional public expenditure should be submitted to a referendum of the property taxpayers. There is no doubt that such a procedure would defeat many proposed new functions. It is contrary to the state constitution, apparently, to do anything like this at present,⁵ and it is also against American public policy in practically all states, although bond issues are submitted to taxpayers in some states. It is to be noted, also, that more and more of the tax burden is being shifted from the property tax to income, motor vehicle, gasoline, and sales taxes. The property owner is no longer the only taxpayer, and there are others besides taxpayers interested in the public services.

To supplement the legislative check upon new services and expenditures there exists a fairly strict rule of the courts. Any taxpayer may bring action to test the legality of an expenditure. When such a test action is brought, the judges may be asked to consider whether there is any legislative authority for it, express or implied, and also whether the legislative act or charter provision is constitutional. While the Minnesota courts have been fairly liberal toward new activities properly authorized, they have not hesitated to invalidate a number of public expenditures under the rule of strict construction "that a municipal corporation possesses, and can exercise, the following powers, and no others: first, those granted in express words; second, those necessarily or fairly implied in, or incident to, the powers expressly granted; third, those essential to the accomplishment of the declared objects and purposes of the corporation—not simply convenient, but indispensable."⁶

Despite this possibility of protection, it is a fact that many services are begun and expenditures made without any legal contest being instituted. Taxpayers are little inclined to go to law in such cases and as a result many things are probably done which are in fact illegal. The state comptroller in his annual examination of the accounts of counties and large cities has found a number of unauthorized services and expenditures. This is probably the most cer-

⁵ Constitution of Minnesota, Article I, Section 17; Article VII, Section 1; *Harrington v. Town of Plainview*, 27 Minn. 224, 6 N. W. 777 (1880).

⁶ J. F. Dillon, *The Law of Municipal Corporations* (5th ed., Boston, 1911), 1:448-51.

tain way of having illegalities uncovered. Most local units are not, however, subjected to such an impartial outside examination of their accounts.

While the test of legality is an important one, in the long view the most significant test of the propriety of any service is the extent to which it advances the real welfare of the community. As already suggested, the rise of the public services is closely associated with the rise in the standard of living. While not every service can be shown to contribute to that rise, there are some which definitely do. In the case of education and highways public opinion is strongly convinced of their utility. It can be shown also that certain other services promote the public welfare directly. Thus, expenditures on some phases of public health work usually result in a reduction of deaths and sickness rates, and wise expenditures on fire prevention and protection work reduce fire losses and result in some reduction of fire insurance premiums.

In short, while there is no presumption either for or against any particular public service, a strong case can be made for practically all the important ones. If viewed from the standpoint of the whole community, a service rendered by public authority and available to all persons can usually be made to yield more returns in service for each dollar expended than a series of individual expenditures for the same purpose. If the tax system were one which compelled everyone having some ability to pay some tax, and graded payments progressively according to ability, there would be less objection to public services than now appears in some taxpaying groups. Although a few public services could probably be dropped without loss, and therefore should be dropped, the percentage of waste in public service expenditures is certainly small, and many private expenditures are more open to the charge of being wasteful and unproductive of real benefits.

In spite of the reduction in budgets in the depression years, a number of local services have been added to the former list, and more are on the point of being initiated. Relief programs have been the cloak for concealing a number of new services, and there has been open addition of such services as old-age pensions and service pensions. Not far distant, also, are new functions in the fields of adult education, recreation, water conservation, housing, forest land zoning, rural electrification, and a number of others.

Today the important questions concerning the local services turn upon the question of efficiency. How and by what units can

the different functions be best performed? This raises two types of issues, those of methods and those of units.

Local services in Minnesota today are performed in various ways, roughly classified as follows:

1. Unpaid elective and appointive local officers (members of school, library, health, park, child welfare, and other boards, some mayors, councilmen, and others). These serve under a sense of moral responsibility, although it may be that there is a legal obligation to serve as well. The functions performed are mainly policy-determining and "overhead" functions, rather than administrative or direct service functions.

2. Volunteer services, best represented by the volunteer fire departments in numerous small villages. Library service, spring "clean-up" service, and a number of others are also on this basis in various places. These services are practically unpaid. In the communities concerned the amount of service to be rendered is so small or the need for it is so infrequent, and the community's ability to pay for it is so small, that no other solution is possible or desirable.

3. Services paid for by fees, contributed either by the individuals receiving the service or by the public. This method of payment has already been briefly discussed. (See pages 109 and 110.)

4. Services paid for by per diem payments and for short periods each year. The numerous local assessors and many members of local boards and committees are thus compensated. Forest-fire-fighting and other emergency services also are sometimes paid for in this way.

5. Contractual services, as in the case of contracts for grading and paving roads and streets, and building schools and other buildings, contracts with architects, retainers for lawyers, and others. In these instances the company or individual engaged has no official status but receives payment according to the contract made. Except in Minneapolis and St. Paul, practically all local construction work is done by contractors.

6. Full-time, paid public servants provide the largest, most expensive, and most important services in local as well as in state and national administration. School teachers, principals, supervisors, and superintendents, janitors, clerks, policemen, firemen, street and highway workers, relief workers, institutional employees, and many others serve mainly on this basis. This seems to be the highest rung in the ladder of public services, the one toward which all the functions tend to move when the size and resources of the

local units permit it. When a service reaches this stage, of course, steady and ample revenues are needed to maintain it, so that in times of depression and tax shortages there is some tendency for marginal functions to slip back to some lower level. At the same time, as long as a service can be maintained on this level, it gives the citizen and taxpayer the greatest possible freedom for his private activities. All he needs to do is to vote, pay his taxes, and give some attention to the efficiency of the government.

But although this is the highest level now attainable by services, and perhaps the most efficient and the most convenient for the citizen, it cannot be said that all services should be put at once upon this basis. Geographical conditions, sparseness of population, limitations of local taxable resources, the extent of local needs for the services, and other factors determine what method is the most desirable. Even where a little more efficiency might be attained by some other method, many persons think it is wise to retain as much *self-administration* as possible in order to keep as many men as possible actively engaged in services for their local communities.

Related to this question of method is that of the allocation of functions among units. Whatever distribution of work has been made by custom and tradition, the question of the proper unit for handling any function should always be considered a proper one. Should it be the state, the county, the city or village, the town, the school district, or some other unit? If the map were wiped clean of all boundary lines, and our minds of all prejudices, what units would we create to handle the different services? To these questions also there is no final answer. Each generation makes its own adjustments, and seldom if ever does anyone make a complete reorganization of service units. One phase of this question has already been discussed⁷ and others will be touched upon in the following chapters.

The major local services have been selected for brief discussion in the next four chapters. The many less expensive or less important services are wholly ignored. If to experts in the four fields dealt with these chapters seem sketchy and disappointing, it should be said that no attempt has been made to cover each one systematically. A book could easily be devoted to each, especially if all the problems of administration were analyzed. Our brief chapters deal with only the major governmental and financial problems of each.

⁷ See Chapter III.

CHAPTER XII

LOCAL GOVERNMENT AND EDUCATION

The study of educational administration has become so much the special field of a professional group of experts that the non-specialist hesitates to state his views on the subject. Then, too, the frequently stated proposition that education is a state and not a local function raises some doubt as to the propriety of discussing public education in a book on local government.

Upon the first of these points it should be said that the following pages deal not with the technical questions relating to teaching methods, learning processes, and similar problems more or less peculiar to the schools, but rather with the governmental and financial aspects of the school problem. Public education is supported by public taxation and is a function of government. The school system is, also, so closely interwoven with other branches of the government, state and local, that no discussion of government would be complete without some pages devoted to it.

Whether public education in Minnesota is a state or local function is a question calling for analysis. Professional students of education usually say that it is a state function, and in support of this assertion quote the appropriate sections of the state constitution:

The stability of a republican form of government depending mainly upon the intelligence of the people, it shall be the duty of the legislature to establish a general and uniform system of public schools.¹

The legislature shall make such provisions, by taxation or otherwise, as, with the income arising from the school fund, will secure a thorough and efficient system of public schools in each township in the state.²

These clauses are important in that they clearly impose a moral duty upon the legislature to provide and to finance a system of public education. To this extent the courts have sustained and applied these provisions, and to the extent that it has deemed it wise the legislature has observed the mandate. But as the clauses in a state constitution are not a grant of power to the legislature, but only a limitation of its powers, these clauses have not changed anything. The legislature could and should have done everything it

¹ Constitution of Minnesota, Article VIII, Section 1.

² *Ibid.*, Section 3.

has done without these clauses. In other words, if they had been left out of the constitution the legal situation as to the status of the public schools would have been practically the same as it is today.

Put differently, the legislature's responsibility for public health, poor relief, law enforcement, highways, and public services in general is just as real as its responsibility for public education, although no words to that effect are incorporated in the constitution. These are all state functions just as truly as education, and they are all local functions as well. It was more from a fear that the legislature would be neglectful of education than from a desire to give public education a distinctive legal status as a state function that the words quoted were placed in the constitution.

In fact, of course, the legislature has never made public education a state function in any real sense, or in any sense that distinguishes it fundamentally from other local governmental services. The local school board has just as much autonomy as the local board of health or child welfare board. It is no more subject to state supervision and control than they are. The local school superintendent or teacher is no more clearly a state officer or employee than the county auditor, the sheriff, the coroner, the policeman, or the health officer. All these boards and officers are engaged in "governmental" services, or functions for which the state has a responsibility; and yet all of them are left very largely to local selection and control, and to the local taxpayer to support.

To have made public education a state function in any other sense, as in the matter of the supervision of banks and insurance companies, or the regulation of railroads, or the care of the insane, would have required a degree of centralization which very few educators are willing to accept. It would imply the wiping out of all local school districts and elective school boards, the division of the state by state authority into convenient school administrative districts, state appointment of superintendents, principals, supervisors, and teachers in these districts, state construction and operation of school buildings, and practically complete state support of all education. Even North Carolina and Virginia, with their recent tendencies toward centralized control over education, have not gone so far. The little state of Delaware, with a population little larger than that of St. Louis County and an area only about one-third as large, has centralized in a state district many of its public schools, but still leaves a number of districts to local control.

In Minnesota, school control is mainly local control, and every move toward further state centralization is resisted. Approximately three-fourths of all school revenues are raised locally, and the legislature, under local pressures, has arranged that the apportioned school funds, the income tax fund, and even to a large extent state aid funds, go to the local school districts as a matter of right.³ The State Department of Education has much less power over such matters than informed opinion considers desirable; and over the local boards, schools, teachers, and janitors, very little power if any.

What the state has done, and it is a very different thing, is to establish for school management a distinct class of governing units, the school districts. Thus it has to a considerable extent kept schools from being controlled directly by the county, city, village, and town governments. This is a matter of policy, presumably subject to legislative change at any time. There are exceptions to it. In St. Paul the schools are under the regular municipal authorities, and in Minneapolis the Board of Estimate and Taxation exercises some powers over school bond issues. Property is assessed and taxes are collected by other local authorities for the school districts; in some places elections are conducted for them by city and village authorities; in the larger cities offices are maintained in the same buildings. Thus complete separation of the school districts from other local units is not the invariable rule.

Furthermore, the use of separate school districts instead of helping to centralize control has localized it far more than in the case of other public functions. In 1934 there were 7,721 school districts in the state, or one to every 332 people (1930 census) and one to every ten and a fraction square miles of area. There were nearly three times as many school districts as all other local units combined.

The sum of the whole matter is that there is no sharp distinction between state and local functions; that all local governments are agents and servants of the state in the cooperative performance of functions of public importance; and that public education, public health, law enforcement, highways, and poor relief, to give but a few examples, are both state and local functions at the same time. The important problem is to determine the best possible working relations between state and local authorities, and among the latter, to the end that each function may be performed eco-

³ See Chapter X.

nomically and effectively, with a maximum of desirable service for a minimum of effort and expense.

It is not the intention here to attempt a complete discussion of either educational organization or educational finance. Other and more authoritative works on Minnesota schools and school finances are available.⁴ Only a few problems affecting local government will be touched upon here.

THE FUNCTION OF PUBLIC EDUCATION

The scope and the function of public education depend upon the ideals of the people and the needs of the times. As society and civilization are dynamic and ever changing, education also undergoes constant alterations of scope, methods, and aims. The primitive schools of Minnesota in its pioneer days, undoubtedly excellent in their time and place, would not fulfill the requirements of the people of Minnesota today, and we cannot say today what the needs will be tomorrow.

Taking but a single instance, that of age groups to be served, we see that the present-day ideal is wholly unlike the ideal of even seventy-five years ago. Then public schooling served mainly the children between about seven and fourteen or fifteen years of age. The public high school had not come generally to Minnesota, and kindergartens were probably rare. Today there are many kindergartens in the cities, public high schools are found in all parts of the state and junior colleges in certain urban centers, and there is considerable activity in public adult education.

The present scope of public educational facilities in Minnesota can be presented most concisely by means of two charts (Figures 18 and 19). In the first is shown the 1930 population of the state distributed according to age groups, and against this background the enrollments in the principal types of public schools. Here we see the relative number of pupils in the different grades and the different shares of the teaching load carried by the several types of schools.

In the second chart the various types of school districts and educational facilities are ranged in order upon a scale based on the ages of the children and their approximate grades in school. Here

⁴See Fred Engelhardt, *Minnesota Public Schools* (Minneapolis Educational Test Bureau, Bulletin 8, 1934), 155 pages, and works cited in selected bibliography, pp. 159-55. See also Mason's *Minnesota Statutes*, Ch. 14, and Fred Engelhardt, "Public School Finance," in Roy G. Blakey, *Taxation in Minnesota*, Ch. 14 (The University of Minnesota Press, 1932).

rural and urban facilities are kept separate as far as possible, and the principal services rendered by the different types of school districts are suggested. The provisions made in the teachers colleges, the junior colleges, and the University for education at the college level are also shown.

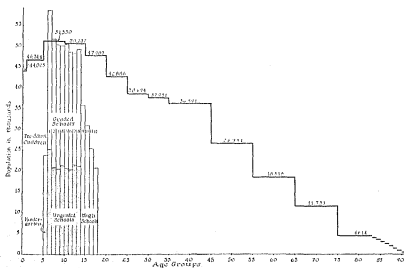


FIGURE 18. — MINNESOTA POPULATION, AGE GROUPS, AND PUBLIC SCHOOL ENROLLMENTS, 1930-31

In explanation of the apparent excess of school enrollments over population it should be said that (1) the grades in school and the ages indicated on the chart do not exactly correspond; (2) the enrollment figures include many duplicates, because of the moving of children from district to district during the year; (3) the figures given are not for the same year, etc.

The minimum requirements of the state law call for compulsory education between the ages of 8 and 16, but children who have graduated from the eighth grade or completed the work of that grade may be excused.⁵ Free public education is actually contemplated by the law between the ages of 5 and 21,⁶ but there is no specific requirement with respect to kindergarten or high school attendance. The law permits districts to establish such schools, but leaves the matter entirely to local option. In fact very few of the common or ungraded rural school districts offer either kindergarten or high school instruction.

All the ordinary elementary and high schools "shall be maintained not less than seven nor more than ten months" in each year.

⁵ Mason's Minnesota Statutes, Section 3060.

⁶ *Ibid.*, Section 2741.

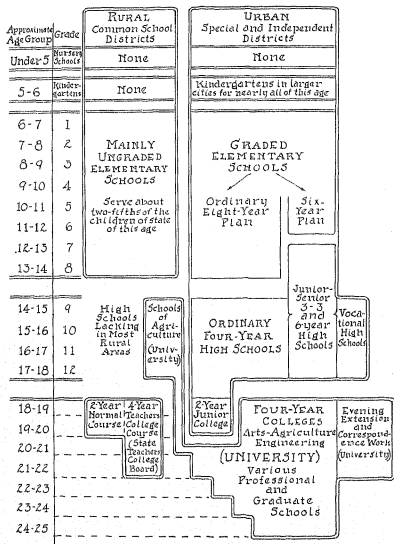


FIGURE 19.—PRINCIPAL PUBLIC SCHOOL ORGANIZATIONS AND FACILITIES IN MINNESOTA

No ungraded school operating less than eight months may receive either apportionment or state aid funds, but a graded school to qualify for state aid must operate on a nine-months schedule.

Among other requirements the laws also designate certain subjects to be taught and certain holidays to be observed, offer encour-

agements in the form of special aid for the teaching of particular subjects, and define the qualifications of teachers. Beyond this, the State Board of Education has power to outline curricula, pass upon school building plans, and do a number of other things designed to keep the schools throughout the state up to certain minimum standards. These various provisions, too numerous and complex to be summarized here, define in a way the educational standards to be attained as a minimum in all parts of the state. They show how the legislature has interpreted its obligation "to establish a general and uniform system of public schools" and to "secure a thorough and efficient" one. Within the broad limits designated, school boards have a great deal of latitude, and there is very little in the laws to prevent them from raising their local schools far above the minimum requirements.

The differences that exist between the schools of one community and another—and they are many and important—are due to local ideas and circumstances. Attitudes toward public education vary almost indefinitely from place to place, and have great effect upon the extent and cordiality of local school support. The area and geographical peculiarities of the district, the density or sparsity of the population, the taxable resources, and the number and ages of the children to be educated also have great effect upon the resulting school system.

Through all these local variations one can see certain broad lines of distinction between the common, rural school districts on the one hand, and city and village districts on the other; between large cities and the smaller cities and villages; and between the southern agricultural counties and the northern cut-over region. Educational offerings are at or near the minimum in the common school districts and at or near the maximum in the largest cities and in the cities and villages of the Iron Range. Southern and central Minnesota counties make most use of the small common school district; the tendency in the northern counties is toward larger districts.⁷

The line of division between state and local responsibility for different levels of education also is not clearly marked. The rural areas generally make no direct contribution to local high school support, and the state, through its university, has stepped down to the secondary school level to provide schools of agriculture at

⁷ *Land Utilisation in Minnesota: A State Program for the Cut-Over Lands* (The University of Minnesota Press, 1934), pp. 190-200.

several points. Education at the college level is generally a state function, but several municipalities, desirous of having localized college instruction, have established their own junior colleges. In general the state does much more for rural education at the high school and junior college (and normal school) level than it does for urban education. There are some problems of policy here that call for more study and experimentation. The depression has emphasized sharply a problem that has long been more or less recognized. Graduation from high school comes normally at about the age of 18 or 19, and is now frequently at 17 or even 16. Occupations or even apprenticeship opportunities are not today generally available. Employers have had to favor married persons for appointments, and a very considerable number of young people, financially unable to go on to college, have been turned out of the schools to face months or even years of enforced idleness. The results to their morale have not been good. Delinquencies of various kinds have probably been more numerous than ever at the ages of 18 to 21. Since families, especially in cities and villages, have no regular work for these youths to do, the state is confronted with the question whether some further educational opportunities should not be offered for the youth of this age group. Some high schools have tried to offer postgraduate work, and there has been other experimentation at the junior college level. The CCC camps offer a stop-gap vocation of some value for thousands of boys, but it cannot be said that they give a permanent or complete solution of the problem.

Adults, too, have their educational needs in our rapidly changing civilization. In short, new challenges are being hurled today at our schools and our educational leadership. How far the public schools should go, and how far they can afford to go, in extending their functions, no man can say.

THE SCHOOL DISTRICTS

The formation of school districts, as already pointed out, has been left almost entirely to local choice.⁸ The early township system quickly gave way to the small district system in nearly all rural areas, but on the other hand each city and village tended to be one school district. As a result of thousands upon thousands of local decisions on areas and boundaries, the present district system came into effect. Today the law recognizes several chief varieties of districts of which the most important are the following:

⁸See Chapter II.

1. The common school districts, mainly rural, most of which maintain only a single one-room, one-teacher ungraded elementary school each. Of these districts there were 7,222 in 1934. They employed approximately 8,100 teachers and enrolled 173,000 pupils, or about 21 to a teacher. Instead of having their own superintendents, they come under the elected county superintendent.

2. The special and independent districts. Although legally and historically distinguishable, from the educational point of view these are practically the same. Some of them consist of a single city or village, but many others have some village or city as a nucleus for an area which includes a considerable fringe of rural territory, while some "consolidated" districts included in this group are mainly rural. They maintain, as a rule, both a graded elementary school and a high school, and in the larger places, like the cities of the first class, a number of each. The variations in size, wealth, and number of pupils among these districts are tremendous. There appear to be about 483 of these districts.

3. The fifteen "unorganized territory" county school districts in the northern counties. Each of these is responsible for providing schools for the population in areas not otherwise organized into school districts. The most important are those in St. Louis County (assessed valuation \$3,678,041; number of pupils, 4,544), Koochiching (assessed valuation \$1,498,100; number of pupils, 821), and Beltrami (assessed valuation \$1,039,686; number of pupils, 769). Each is governed by an ex officio county school board consisting of the chairman of the board of county commissioners, the county superintendent of schools, and the county treasurer.

4. The only strictly "county school unit" in the state includes the entire area (2,099 square miles) and population (7,068) of Lake County. Since most of the area of the county is uninhabited, the effective area of the district is much smaller than the area of the county, and the population served is exceeded in many special and independent districts. Both the largest "unorganized territory" county districts and the Lake County district maintain ungraded and graded elementary schools and high schools.

The wide range in size of the school districts of Minnesota has already been mentioned.⁹ Naturally, it is the small rural or common school districts which have received most of the adverse criticisms. They are too small to provide what the modern educational expert considers to be the essentials of a good school sys-

⁹ See page 43.

tem: trained superintendents, first-rate teachers, division of the pupils into grades, adequate buildings and equipment. Some have so few pupils that the expense per pupil is high no matter how little the teacher is paid. Inequalities in wealth also suggest a trenchant criticism of the present district system, for in one district a high tax will not produce what another district can obtain with an absurdly low rate. Other objections to the common school district concern their unprogressive school policies and their inability and unwillingness to support a complete school system, from kindergarten or first grade through high school. In 1932, 521 rural schools had fewer than ten pupils enrolled, and 2,965 others had from ten to nineteen pupils.¹⁰

On the other hand it must be said that in times of depression like the present, the financial argument for retaining the small district system seems to be a cogent one. The money may, indeed, be saved at the price of underpaying and overworking the teachers, giving the children poorer instruction, shortening the school term as much as possible, and failing to provide high school education for the local youth; yet the fact cannot be denied that on the average the common districts cost the taxpayer less than other types. The average tax rate in these districts is about one-third what it is in others, and the yearly expense per pupil is less by the difference between \$73.84 and \$40.76. In fact, the saving to the taxpayer is relatively more than this because under the present state aid and apportionment laws the state provides more than a third of the \$40.76 and less than a quarter of the \$73.84.

The important long-run question for the state to settle is whether these arguments of dollar economy should be allowed to outweigh other considerations. It is clear that on the average the pupils in the ungraded rural schools do not have the educational advantages of the children in other districts, that they have more difficulty in passing certain state-wide tests, and that their advancement is in other ways retarded.

The opposition in rural areas to the enlargement of school districts probably arises from various sources, some of which have already been mentioned.¹¹ The experience with so-called "consolidation" of schools under laws antedating the World War has

¹⁰ This and many other statistical statements in this chapter were drawn from the advance sheets of the Biennial Report of the State Department of Education for 1933-34, to be issued in 1935, and the Financial Statement of the State Board of Education and State Aid to Public Schools for 1931-32, issued in 1933.

¹¹ See Chapter III.

probably been as important as any. It is a fact that educational leadership was somewhat at fault in the matter of consolidation, which was in most cases accompanied by the borrowing of considerable sums of money and the erection of a fine modern school-house at a time when prices were high. Usually things went well as long as times were prosperous, but the wartime rise of costs and tax rates followed by the postwar slump left the taxpayers in many of the consolidated districts in bad straits. Their school taxes were much higher than those in adjoining rural districts, and it took or is still taking years to clear up the debts incurred. The haste to achieve everything at once led to extravagance and high taxes which have so affected the thinking of the rural taxpayer that he generally opposes any sort of consolidation or enlargement of school areas. Many rural legislators refuse to vote for even a permissive act authorizing the establishment of county school districts.

The more recent experience in Lake and Koochiching counties should in time lead the rural voters to think more kindly of large school districts. According to the Lake County plan all the schools of the county are united in one district, and there is one county-wide tax levy for school maintenance. Because of their location a small number of pupils are transported to schools conveniently located across the county line, but practically all are educated within the county. No new schools were built under the county plan. Attendance districts were rearranged as conveniently as possible, and some rural schools were closed. Strict attention was paid to such important matters as the selection and supervision of the teachers, the safe transportation of the children, and health examinations. From the start, savings over previous expenditures were recorded by the county district, and very soon the results of educational tests showed a notable improvement in the work of the rural school children. In Koochiching County also, though under different circumstances and with a markedly different organization, distinct savings and improvements were shown when the "unorganized territory" county district took over the schools in most of the county.

Just what is the best size for school districts no one is in a position to say. The county may be the best unit in some cases, but in others it may be too large or too small. It is easy to think in terms of a county district because the county is already an established unit of government, but that is no conclusive reason for regarding the county as necessarily an ideal unit. Municipalities

of 2,500 or more inhabitants, with a convenient zone of surrounding rural territory, may be better adapted in most cases than the county area for school administration.

The minimum essentials according to many school authorities are a territory with wealth, population, and children enough to require and in large part to support a complete school system from the first through the twelfth grade, with a trained superintendent and the necessary principals, supervisors, and teachers. Since at least one high school is necessary as a capstone to the system, if we knew the ideal minimum number of pupils for a high school we could determine the proper child population and total population of the district. In Minnesota today the approximate proportions of population are one high school pupil and four grade school pupils to every twenty-five persons. These are not fixed, of course, for the proportion of high school pupils in the population is increasing while that of grade school pupils is slowly decreasing. The proportions differ also between urban and rural areas. With due allowance for these facts, the following tabulation may give some suggestions concerning the minimum size of a school district offering a complete twelve-year program with eight elementary grades and four grades in the high school. A different calculation would be needed for a six-six plan.

| | <i>Case 1</i> | <i>Case 2</i> | <i>Case 3</i> | <i>Case 4</i> |
|--|---------------|---------------|---------------|---------------|
| Number of pupils in high school..... | 100 | 200 | 300 | 500 |
| Number of pupils in grade schools..... | 400 | 800 | 1,200 | 2,000 |
| Total population | 2,500 | 5,000 | 7,500 | 12,500 |
| Superintendent's salary | \$2,500 | \$3,000 | \$3,500 | \$4,000 |
| Per capita for superintendent..... | \$1.00 | \$6.00 | \$4.68 | \$3.32 |
| Per pupil for superintendent..... | \$5.00 | \$3.00 | \$2.33 | \$1.60 |

Most students of education consider a high school of one hundred pupils too small for the most effective and yet economical education. The larger units are more likely to produce first-class results. Certain overhead expenses also—for example, the superintendent's salary—go down per capita and per pupil as the size of the school unit increases; and the larger the unit, the better the talents it can command. Whatever criticisms may be made of such a calculation, it at least shows the difficulty of determining the ideal or best size of school district. Local conditions, too, will inevitably determine size to a considerable extent. The truth seems to be that there is still room for careful experimentation with different types of enlarged school areas.

SCHOOL DISTRICT ORGANIZATION

Of all types of local units in Minnesota, school districts have the simplest forms of governmental organization. Since each has but a single function to perform, there is no need of separation of powers or checks and balances in the ordinary sense. Whatever differences in organization there are relate to (1) the directness and the extent of the voters' participation in the government and (2) the extent of the actual administrative organization for operating the schools. Popular participation in school government is most direct where the school system itself is small and simple and least direct where the school system is more elaborate. In general the forms tend toward one or the other of two types of organization.

1. More than nine-tenths of all school districts in Minnesota are common school districts. As already stated, they are mainly rural and of small population, and each as a rule maintains only one

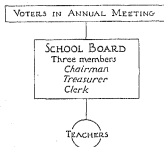


FIGURE 20. — ORGANIZATION OF THE COMMON SCHOOL DISTRICT

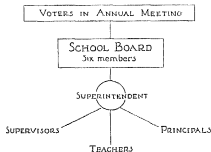


FIGURE 21. — ORGANIZATION OF THE INDEPENDENT SCHOOL DISTRICT

ungraded school and employs but one teacher. At the annual school meeting on the evening of the third Tuesday in July the voters present elect by ballot the officers of the district, vote the annual maintenance fund or budget, provide for repairs to the school, and instruct and authorize the school board with respect to other matters.¹² The board itself consisting of three members (a chairman, a treasurer, and a clerk) has "general charge of the business of the district, and of the schoolhouses and the interests of the schools thereof," including the employment of the teacher, provision for heating and care of the schools, purchase of textbooks, payment of claims, and other administrative matters.¹³ Thus, as shown in the accompanying charts (Figures 20 and 21), each district has an an-

¹² Mason's Minnesota Statutes, Sections 2703, 2708, 2800.

¹³ *Ibid.*, Sections 2805, 2815, 2816.

nual meeting, and a continuing board of three members, to provide for the work of one teacher.

2. In other districts the functions of the voters are confined mainly to the election of the school officers, the approval of new school sites and school buildings, and the borrowing of money. In independent and some special districts there is an annual school meeting for these purposes, and the board consists of six members elected two each year for three-year terms. In other cases the voting takes place at ordinary elections. Special districts have boards varying in membership from three to ten; "unorganized" county districts have three ex officio members; and the Lake County unit has a board of five, elected one from each of the county commissioner districts. The boards in all these cases have the full power of control over the school affairs of the district, including that of appointing the superintendent and teachers and passing the annual appropriations and the tax levy.¹⁴ As a rule in these districts the board appoints the superintendent and approves his nominees for other positions, including supervisors, principals, and teachers. This general plan, shown in Figure 21, is naturally subject to many local variations, both legal and extralegal.

The simple plan of organization in the common school district, and the smallness of the district, combine to bring the teacher, the parents, and the taxpayers into close contact. The teacher, frequently young and comparatively inexperienced, is supervised in her work by the elected county superintendent, who has little power over her and sometimes little training for the work, and by the local board members, who also are unskilled in educational affairs.

In the larger districts, independent, special, and county, the teachers are a step or two further removed from direct parental and voter control. The appointed superintendent of the school system, chosen presumably because of his educational fitness, is the one who oversees the work of the teachers and principals, while the board in turn controls the superintendent. The elected county superintendent has, of course, little or nothing to do with the work of these districts.

Both these systems of organization have their strong and their weak points, but on the whole, educational thought and experience favor the larger district with its trained and responsible superintendent of schools under an elected board. Teaching staffs in these

¹⁴ *Ibid.*, Sections 2804, 2806, 2807, 2815, 2816.

districts are generally better trained and more experienced, and the educational results are considered to be better.

In addition to the simplicity and directness of school district organization there are other factors which have tended to insure capable and honest school administration. The deep popular respect for education, and the hopes of most parents that education will lead to successful and happy lives for their children, have resulted in a strong insistence upon adequate school expenditure and honest management. Parents want their children to have competent teachers, although opinions differ as to the tests of competency. The state certification laws have helped to keep the least competent persons from becoming teachers, and the type of politician who demands the spoils of office has not made much headway, generally, in the schools.

The fact that school board members serve, as a rule, without salaries has probably had a good effect also. There is little demand for school board positions among those who seek office for the sake of the salary. Generally only necessary expenses are allowed. This is considered by educational authorities to be the best practice. It is, therefore, somewhat disturbing to find an act of the 1931 legislature¹⁵ authorizing any common school district having not fewer than 1,400 inhabitants and not less than \$3,000,000 in assessed valuation to pay the president of the school board \$50 a month and the clerk and treasurer \$35 a month each. This amounts to \$1,440 a year, or enough to pay an additional teacher. It does not appear on the face of things why school board members in such a situation should be paid salaries, even though these are small, when board members in such a city as Minneapolis serve without pay.

SCHOOL FINANCE

It is not necessary here to go fully into the question of financing public education in Minnesota. Several recent publications cover that question so fully that little could be added.¹⁶ The principle that local support shall be supplemented by state aid has been accepted and is being slowly extended.¹⁷ Concerning new sources of revenue for schools nothing need be said, since the support of

¹⁵ Chapter 122.

¹⁶ Blakey, *Taxation in Minnesota*, Ch. 14; and *For Minnesota Schools: Taxation and School Support* (Minnesota Education Association Bulletin 3, February, 1935), 96 pages.

¹⁷ See Chapter X.

schools is only a part of the great question of finding revenues for all state and local services.

The general division of the load between the state and the localities today is approximately as follows: kindergartens, practically all local support; elementary grades, mainly local support, with considerable state aid; secondary schools, mainly local support in districts supporting such schools, but with relatively more state aid than in the case of the grade schools; education at the college level, mainly state support, but with some municipalities supporting their own junior colleges. The really debatable field today is that of high school finance. Shall support be entirely local, and spread over the whole state; or partly local and partly state, as at present; or entirely state? If a mixed state and local system is continued, what shall be the state's share and what the local share?

THE PROBLEM OF HIGH SCHOOL SUPPORT

The problem of high school support has not yet been solved in a manner that can be deemed entirely fair. Practically all special, independent, and county districts maintain high schools or high school departments for their own children. The common school districts maintain no high schools but have the privilege of sending their children to high schools in adjoining districts. Their tuition is paid not by the district from which they come but by the state as a whole as a regular state aid, at the rate of \$7.00 a month. Where the rural district itself receives state aid, however, and does not levy a school tax of at least four mills, the amount of this tuition for each pupil going from this district to a neighboring high school is deducted from the state aid. The figures in Table 30 may help to show how this operates.

This table can be interpreted in only one way, and that is that taxpayers in cities and villages (independent and special districts, maintaining high schools) are paying far more than a fair share of high school expense. The state aid covers only a part of the added expense of the nonresident pupils. Furthermore, on the basis of assessed valuations, city and village taxpayers are contributing most of the money that comes back as state aid. Of all the rural districts less than one-tenth levy a tax of less than four mills and consequently have the tuition aid deducted from the aids they receive. By levying a tax of as little as four mills, the rural districts avoid deductions from their shares of state aid to pay the high school tuition of children locally resident who go to the neighbor-

TABLE 30.—DATA ON HIGH SCHOOL SUPPORT, 1934

| ITEM | UNGRADED ELEMENTARY DISTRICTS | GRADED ELEMENTARY AND HIGH SCHOOL DISTRICTS |
|---|-------------------------------------|---|
| | | |
| Number of high school pupils enrolled..... | ..... | 122,393 |
| Number of high school pupils resident in..... | 27,445 | 94,948 |
| Assessed valuation | \$434,088,522 | \$953,554,840 |
| Assessed valuation per resident high school pupil | \$15,840 | \$10,030 |
| School indebtedness | \$3,537,891 | \$62,724,435 |
| Average school maintenance tax rate..... | 12.36 | 35.83 |
| Number of districts..... | 7,219 | 482 |
| Number levying no tax or less than 4 mills..... | 650 | ..... |
| Number of elementary school pupils enrolled..... | 173,756 | 263,946 |
| Ratio of high school to elementary school pupils (in percentage) | 15 | 35 |
| High school nonresident tuition aid paid..... | ..... | \$1,650,000* |
| Actual annual cost per high school pupil..... | ..... | \$100† |
| School income from local sources..... | \$5,619,690 | \$20,768,688 |
| Percentage from local sources..... | 65.8 | 76.9 |

* Sixty dollars per nonresident pupil.

† Estimated.

ing city or village high school. The average school tax rates in the city and village districts have to be nearly three times as high as those in adjoining rural districts. To pay fully for the education of children who go from their homes in rural districts to adjoining city and village high schools, the rural taxpayers should make a direct contribution of about \$2,700,000 to the high schools rendering the service. In fact, of the tuition aid paid by the state, only about \$650,000 (calculated on the basis of assessed valuations) comes from the rural taxpayers.

On the other hand, high schools in many villages and small cities find even the disproportionately small amount of state aid they receive a help in maintaining the high school which local pride has built and wishes to retain.¹⁸ Most of the nonresident high school pupils go to these smaller high schools, not to those in the large cities. Then, too, high schools are not so situated as to be convenient for many thousands of graduates of rural schools. It will be noticed that only about one of these graduates in seven is in high school, whereas more than one in four of the pupils from city and village schools get to high school. Distance and financial inability undoubtedly keep many rural children from attending high school.

¹⁸ The legislation of 1935 increasing high school tuition aid to \$160 for each nonresident pupil was a simple act of justice. See pages 211 and 212.

A general state-wide property tax to support all high schools would be opposed in many places. Similarly, dividing the whole state into high school districts with provision for local taxes to meet high school expense would be opposed, at least if it were not accompanied by such complete provisions for the transportation and boarding of children as would make the high schools in fact equally available to all. If the state really believes in high school education for all children who can benefit by it, some such solution may be necessary. Only in this way, moreover, can all citizens have a share in the control of the high schools.¹⁹

¹⁹ It is not necessary that the property tax rate for school support in the rural parts of a district be the same as in the urban, for several reasons. 1. The per capita assessed valuation in rural areas is usually larger than in villages and cities, so that with the same rate of tax the rural parts would pay more than the urban parts per capita. 2. At the same time the numbers of rural children able to attend high school would be relatively smaller. Hence the device of limiting the rate of taxation on unplatted or farm lands in consolidated school districts at a point lower than the rate applied to platted land is justified. See Session Laws, 1933, Ch. 356, and 1935, Ch. 289. The latter act provides that, in general, the tax rate on unplatted land in such a district shall not be more than 10 per cent higher than the average rate on such lands in common school districts in the county. Thus assured of lower taxes, farmers may be induced once more to join their neighbors in reasonable school district consolidations.

CHAPTER XIII

HEALTH AND WELFARE ACTIVITIES

The late President Folwell closed his excellent *History of Minnesota* with twelve brief accounts of "the acts of the apostles."¹ In these short studies he covered briefly the work of twelve leaders in the early history of the state who contributed greatly to the development of the arts, the sciences, and the public services in the state of their adoption. Whoever wishes to know of the cultural and administrative progress of Minnesota needs to go back to these pages in Folwell's history for his starting point.

Two successive essays in the group deal with Hastings H. Hart, "apostle of public charities," and Charles N. Hewitt, "apostle of public health." These explain the beginnings of state public health service under Dr. Hewitt and of state work in charities and corrections under Mr. Hart. Both these important functions developed in Minnesota simultaneously as state and as local functions, and in both cases the relations between the state and local administrations are practically as close as they are in education.

Although separate departments of the state government, and also of most of the local units, are responsible for health and welfare, the two are so closely related in purpose, and overlap so much, as in the matter of hospitalization of poor persons, that they may appropriately be considered together. The purpose of public health service is broader in some directions than welfare work, since public health work affects all classes and not just the poor. But welfare work has its own broad social purposes, and will be forced in the future to do more in a constructive way toward eliminating the causes of poverty and family disorganization.

LOCAL HEALTH SERVICES

In its city charter of 1854, St. Paul was authorized to establish a board of health and to provide by ordinance for the control of contagious diseases. This represents the legal beginning of public health work in Minnesota. Other towns and cities in the territorial period received similar powers. When the present town govern-

¹ W. W. Folwell, *A History of Minnesota* (St. Paul, 1921-30), 4:386-485.

ments were established by the first state legislature in 1858, towns received limited public health powers, and in 1866 the town boards of supervisors were designated by law as boards of health. In 1872 the State Board of Health was established, and a year later cities were required to establish boards of health. At the same time villages were permitted to establish boards of health, but if they failed to do so, the appropriate town board of health continued to have health powers within the village.

Very little change has been made in public health organization in the past sixty years.² The principal state body responsible for public health, the State Board of Health, consists of nine members "learned in sanitary science," appointed by the governor, with the approval of the senate, for three-year terms, and serving without pay. Most of the members are doctors, a few are engineers. The secretary of the board, a paid medical officer, serves as executive of the board and has charge, under it, of the work of the department. There are six divisions: administration, vital statistics, preventable diseases, sanitation, hotel inspection, and child hygiene.

The board has power to adopt and enforce health regulations effective throughout the state or in any part of it, except that for most purposes the cities of the first class are exempt from its regulations. It must be considered an important part of the local as well as of the state administration, for its powers extend into every locality and it renders directly many of the health services that might otherwise be handled by the local units. These services include the approval of plans for water supplies, sewage disposal plants, public swimming pools, and milk pasteurization plants; the inspection of water supplies, sewage systems, tourist camps, hotels, and public institutions; and numerous activities connected with the control of communicable diseases and the recording of vital statistics. In cases where there is no local board of health in a city, the state department may appoint one, and in emergencies, such as dangerous epidemics, it has broad powers of local intervention.

The principal local units for public health administration are the towns, villages, and cities. "Every town board shall be a board of health within and for the town, and shall have jurisdiction over every village within its boundaries wherein no organized board of

² See Mason's Minnesota Statutes, Ch. 29, and also the frequently published Minnesota State Health Laws and Regulations. See also Herman Kehrli, "Relations between State and Local Governmental Units in the Administration of Health and Welfare Activities in Minnesota" (M. A. thesis filed in the Library of the University of Minnesota).

health exists. Every village may, and every city shall, provide by ordinance for the establishment of a board of health therefor."³ The typical board consists of three members, but there are different arrangements in some places. In Minneapolis there is a board of public welfare consisting of seven members: the mayor, two members of the council, and four other persons nominated by the mayor and approved by the council. This body has control over both health and welfare activities. St. Paul has a board of public welfare representing both the city and the county with many powers and functions similar to those of the board in Minneapolis, but there is also a separate city bureau of health under the city council. The latter apparently serves as the board of health, while the other bureau acts as its agent.

The statutes make provisions for county boards of health in the following words: "Two members of every county board, chosen by it yearly at its annual meeting, and one resident physician elected at the same time, shall constitute the county board of health, with jurisdiction over all unorganized towns therein, and with such other powers and duties in reference to the public health as the state board shall by its published regulations prescribe." This clearly provides for a board of health in every county, gives it health power over unorganized territory (which exists in only about fifteen counties in the northern part of the state), and leaves the other powers of county boards of health, aside from those over unorganized territory, to be prescribed by the state board. This is, of course, very unsatisfactory if it was intended to open the door to strong county health units—but it apparently was not. Most of the substantial public health powers are conferred by law upon cities, villages, and towns, and since these powers could not be taken away by the state board and conferred by it on the county boards of health, the latter have continued to be ineffective in the main. Twelve counties do not have such boards at present. Only in St. Louis County, where the taxable wealth is large and the population in unorganized territory is also large, has a strong and effective county health unit been created. In the meantime the abolition of towns in Lake of the Woods County brings most of the area and population of that county within the direct control of the county health board. Unfortunately this county has so little population and so little wealth that it cannot serve successfully as a demonstration county health unit.

³ Mason's Minnesota Statutes, Section 5348.

Outside of the northern counties with extensive stretches of unorganized territory the county health board must continue to be a rudimentary organization with no important place or purpose. To attempt to make it strong without first eliminating the more local boards would result in a dual system and frequent conflicts. For these various reasons the county cannot be considered to be a principal health unit in Minnesota.

The units primarily responsible for local health administration may be summarized as follows: ⁴ in the 95 cities (1934) boards of health are compulsory; they may be appointed by the State Board of Health in case of failure to appoint locally. In the 637 villages, health boards are optional. The number of such boards at the last report was 603. Town boards of supervisors serve as boards of health in the 1,929 towns. About 15 counties have county health boards for unorganized territory; 60 other counties have health boards; 12 have none. Thus out of a possible total of 2,748 local boards of health, about 2,700 are actually in existence. For a population of 2,563,000, this means more than one board of health for every thousand people in the state, and one for every five hundred, on the average, in the rural areas.

The important question is whether in fact these numerous authorities are providing a worth-while health service. One test of this would be whether or not they have supplied themselves with full-time local health officers. The standard set by state law is stated in the following language: ⁵ "At least one member of every local board shall be a physician, who shall be the local health officer and executive of the board. If no member of a town board is a physician, it shall appoint a health officer for the town." It will be noted that the law does not state that the town must appoint a physician, although that is implied. "The compensation of all local health officers shall be prescribed by the body appointing him or to which he belongs, and the same, together with his necessary expenses, shall be paid by the county or municipality in which he serves." Here it is clearly implied that the payments needed to provide a public health officer are mandatory on the local unit, very much as in the case of poor relief. To what extent has this mandate been carried out? And how many communities receive full-time service from their health officers?

At the end of 1934, 75 counties, 94 cities, 603 villages, and 771

⁴ See Report of the Committee on Public Health of the Minnesota State Planning Board, December, 1934 (mimeographed), pp. 70-73.

⁵ Mason's Minnesota Statutes, Section 5348.

towns were reported to have physicians as health officers.⁶ At about that time, too, one county (St. Louis) and three cities (Minneapolis, St. Paul, and Rochester) were paying their health officers for full-time service. Duluth, Winona, Red Wing, St. Cloud, and a group of Iron Range municipalities were paying fairly substantial part-time salaries, many others were paying more nominal sums, and most places were paying nothing to the regular health officer. Although St. Louis County had a fairly large budget for its county health unit at the time, the Iron Range cities and villages paid relatively more for health officers' services than municipalities of equal size in other parts of the state.

With only one county and three cities providing full-time medical health officers, Minnesota cannot boast of her provisions for the important function of protecting the public health. In the rural districts, and in the smaller cities and villages generally, expenditures on direct health activities are pitifully small, as shown in part by the figures in Table 31, which give city and village health expenditures in about 1930. There is, of course, no certainty that

TABLE 31.—PER CAPITA HEALTH EXPENDITURES IN CITIES AND VILLAGES
IN 1930-31

| POPULATION | NUMBER OF CASES | AVERAGE | MEDIAN | SMALLEST | LARGEST |
|---------------------|--------------------|---------|--------|----------|---------|
| Over 100,000 | 3 | \$.66 | \$.54 | \$.40 | \$1.05 |
| 10,000-25,000 | 7 | .66 | .43 | .14 | 2.97 |
| 5,000-10,000 | 11 | 1.08 | .36 | .06 | 4.12 |
| 2,500- 5,000 | 23 | .29 | .11 | .00 | 1.90 |
| 1,000- 2,500 | 44 | .48 | .15 | .00 | 9.34 |
| 500- 1,000 | 64 | .09 | .06 | .00 | .83 |
| Less than 500 | 201 | .03 | .00 | .00 | 3.92 |

these figures cover the same types of services in all cases. Uniform accounting is not yet a fact. The largest expenditures in practically all instances were in Iron Range communities. These raised the averages well above the median figures, which are, in this case, the more typical.

Despite the apparent neglect of health services in most municipalities, there have been some important recent developments in the counties and school districts that serve to meet some health needs. The legislature provided in 1919 that "Every city council, village council, board of county commissioners, school board, and town board is hereby authorized and empowered to employ and to make appropriations for the compensation and necessary ex-

⁶ Report of the Committee on Public Health, p. 71.

penses of public health nurses, for such public health duties as they may deem necessary." ⁷

These must be registered nurses and may be chosen from a list maintained by the State Board of Health. County nurses act either under the county board of health or under a county nursing committee. They report to both the local board or committee and to the State Board of Health.

In July, 1933, 122 public health nurses were reported to be working, mainly on public payrolls, in Minnesota, but the figures apparently do not include the Minneapolis school nurses. Twenty-eight of those reported were county and 54 were school district nurses. Although less than a fourth of the counties and only a small percentage of other local units employed nurses, the expenditure on this service already compares favorably with that on public health officers.

The development of state, county, and district tuberculosis sanatoriums has also had a notable effect on public health work and has contributed not a little toward the reduction of deaths from this disease. The state sanatorium near Walker, under the State Board of Control, admits patients sent and maintained by counties, as well as other patients. Any county or group of counties may also establish its own sanatorium, and 14 such institutions have been established to serve 41 counties. State aid has been an important factor in getting these institutions established, and continues to be important in maintaining them. The state contributes toward the support of those patients who cannot afford to pay for themselves.

The State General Hospital at the University, the hospitals in the cities of the first class and a few smaller places, as well as a very few counties, provide hospital and medical services for the needy. Counties contribute to the maintenance of the patients they send to the General Hospital and also contribute something toward the care of the feeble-minded and the epileptic who are sent to state institutions.

From the foregoing sketch—and it is the barest sketch—of some of the main features of the local public health organization in Minnesota, it is clear that there are great gaps in the present arrangements. A complete service would cover the entire state, and would provide in or for each area the following:

⁷ Session Laws, 1919, Ch. 38, and amendments thereof, in Mason's Minnesota Statutes, Section 5353-1.

1. A full-time, medically trained public health officer.
2. Public health nurses for service with school children, pre-natal cases, infant hygiene, health education, and clinics of various kinds.
3. Sanitary inspectors for premises, water, milk, other foods, waste disposal plants, etc.
4. Hospitals, sanatoriums, and similar institutions.

The variety of constructive and preventive services possible with complete organization cannot even be suggested here.

Perfect symmetry in organization is not so important as "complete coverage." It is the latter that is lacking in fact, although the laws seem to provide for it. There are some areas, mainly rural ones, without effective service under any of the four heads given, except as they fall back in emergencies upon the State Board of Health. There are other areas like Minneapolis and St. Paul that provide for practically every important health need.

Many persons have pointed out that the defect lies in our basic units of organization. Most towns, villages, and small cities are inadequate to the task of handling and paying for modern public health work, and the county has insufficient powers, in general, to assume the obligation. It has been urged, therefore, that the county should be made the unit for public health, outside of the large cities, and much might be said for this system. At the same time, not all counties are adequate to the task. A complete county health unit covering only the first three of the items outlined above would require at least \$12,000 a year and should have more to be effective. Most of the counties in Minnesota are probably unprepared to assume this burden.

Then, too, a change to the county unit would not accord with some of the best developments already made in public health in Minnesota. The state has, by its own direct activity, been making some of the best forward steps in public health service, and the possibilities for further advances by the state are still considerable. Perhaps the state department could provide more of the direct health services than it is now doing. To this end it will need more money, however, and also the power to establish some district offices at various points in the state. More than certain other services, public health would seem to call for direct state control.

The Committee on Public Health of the State Planning Board, reporting late in 1934, made the following recommendation: *

* Report, p. 72.

Consolidation of school districts and a change from township to county or district health organization seems to be indicated. Administrative measures for the collection of vital statistics, control of disease, protection of water and milk supplies, general public and school hygiene and sanitation, hygiene of maternity and infancy, occupational diseases and hazards, etc., can be adjusted to fit the county or district unit. A few counties in Minnesota might find the county unit satisfactory if tried now and probably these counties will adopt it sometime.

In general the conditions point to the establishment of districts under the supervision of whole-time thoroughly trained medical district health officers cooperating with part-time local health officers assisted by public health nurses for school and general public health nursing service. The district health officers would be assisted as needed by sanitary engineers, both being employed by the State Board of Health or paid in part through state subsidy. Under such a plan every qualified practicing physician and dentist would be given the opportunity to participate in the public health program and be paid under a state-wide policy adapted to the local conditions. This plan would provide a public health service through the minimum of whole-time personnel and the maximum participation of the family physician and dentist in the routine practice of preventive medicine.

This plan for public health districts calls for a considerable forward movement in health matters. There will be those to contend that further advances are not needed. To them it should be pointed out (1) that a diminishing birth rate makes it important for all America to conserve human life; (2) that because of defects in organization and administration of public health services, many lives are now being lost needlessly; (3) that rural health conditions are not as good as they should be; (4) that "public health is purchasable"; and (5) that further advances toward the goal of greater health probably cannot be made by the state without new measures that will bring public health work to the people as never before.

WELFARE FUNCTIONS⁹

The never-ending work of caring for the poor and the afflicted has undergone important changes in modern times. What was once

⁹ The principal statutory provisions on this subject will be found in Mason's Minnesota Statutes, Chapter 7, "Counties and County Officers," Chapter 8, "Towns and Town Officers," Chapter 15, "Relief of the Poor," and Chapter 25, "Board of Control." The most complete and condensed published account of the subject down to 1927 will be found in William Anderson and Bryce E. Lehman, *An Outline of County Government in Minnesota* (Publications of the Bureau for Research in Government, No. 7, The University of Minnesota Press, 1927), pp. 68-87. The following pages condense this description still more and bring the story down to date (1934-35). See also Herman Kehrli, "Relations between State and Local Governmental Units in the Administration of Health and Welfare Activities in Minnesota." An earlier historical study of a part of the subject is George A. Lundberg, "Poor Relief Legislation in Minnesota" (Ph. D. thesis, 1924, filed in the Library of the University of Minnesota).

dealt with as a single and undifferentiated problem is now recognized to be as complex as human life itself and to involve specialized treatment for different classes of unfortunates. Once regarded as more or less an individual, or at most a local problem, to be dealt with by individual givers of charity, families, local churches, and fraternal bodies, it is now more clearly a public or governmental responsibility. Not only the smallest local units but also the counties, the states, and the nation itself now share the responsibility for relief and welfare work. The simple and haphazard methods of the giver of alms are being replaced, or at least largely supplemented, by the specialized skill and knowledge and the more systematic methods of trained social workers, physicians, and other experts in these fields. Whereas in the past, relief work was directed almost entirely toward alleviating the distress of those already impoverished, or afflicted with mental or physical disease, modern public health and welfare programs aim to prevent the evils before they occur, and to rehabilitate afflicted individuals and families so as to make them self-sufficient units once more.

The entry of the national and state governments into the field of poor relief in the last few years has resulted in a great shifting of financial burdens to the larger units, and has also effected some changes in local methods and organization. Even so, the underlying network of local units and organizations is very much what it was a decade ago, and it cannot be said that intervention from above has revolutionized methods, administrative units, or attitudes.

POOR RELIEF AS A DUTY OF LOCAL GOVERNMENTS

The relief of the poor comes as near to being an absolute duty of state and local governments as any function can. Although the first responsibility rests upon the children, parents, and other near relatives of the person without means of support,¹⁰ in case of their failure "he shall receive such support or relief as the case may require from the county, town, city, or village in which he has a settlement at the time of applying therefor."¹¹ On this point the state Supreme Court has said that "Neither the county commissioners, where the county system prevails, nor the town supervisors, where they are superintendents of the poor, can turn their backs upon the proper claim of a poor person. The officials may

¹⁰ Mason's Minnesota Statutes, Sections 3157, 3159.

¹¹ *Ibid.*, Section 3159.

and should exercise their judgment to prevent improper persons from having relief, but for those who require it they are required to perform this function honestly and efficiently."¹²

This duty has been further emphasized in other decisions and in the opinions of the attorney general. The latter has said that where the town system of relief prevails, "the duty of a town to take care of paupers having a settlement therein . . . is absolute. The fact that there are no funds in the poor fund of the town does not relieve the town of its duty to paupers. The expense incurred for caring for such paupers should be paid out of the general fund of the town and may be paid out of any other fund of the town."¹³ It is significant that the statutes not merely permit but positively require the proper local units to levy the taxes needed for the support of the poor, and that the general laws place no maximum limit upon the tax rates for this purpose.¹⁴

THE TOWN AND COUNTY SYSTEMS OF RELIEF

In the history of Minnesota first the counties (1849-58), then the towns (1858-64), and then the counties again (1864-75) were the local units responsible for relief of the poor. From 1875 to 1891 the legislature passed numerous special acts setting up the town system again in certain counties. When this became too much of a burden to the legislature, it enacted (1889) substantially the present law, under which each county has a right to choose which system it will use. The law at present is as follows:

Whenever the county board shall so determine, or if one-fourth of the voters of the county shall petition therefor, the question of changing from the system in force therein to either the town or county system shall be submitted to the voters of the county at the next general election. . . . If a majority of the votes cast thereon be in the affirmative, the change shall take effect upon the first Monday of January next thereafter.¹⁵

Under the so-called town system, each organized town, village, and city is responsible for the care of the poor having a legal settlement in the place. The members of the town boards and of the city and village councils are superintendents of the poor in their respective municipalities. Under the county system, the whole county is the area for legal settlement, and the members of the county board are designated by law as superintendents of the poor.

¹² *Robbins v. Town of Homer*, 95 Minn. 201 (1905).

¹³ *Attorney General's Opinions*, 1919-20, No. 716.

¹⁴ *Mason's Minnesota Statutes*, Sections 3177, 3188.

¹⁵ *Ibid.*, Section 3164.

Exceptional arrangements are found in each of the three most populous counties. Hennepin is under the town system, and in Minneapolis not the council but the Board of Public Welfare is responsible for the relief of the poor. In Ramsey County there is a joint city and county board of public welfare for relief of the poor and for maintenance of the county poor farm. St. Louis County has a special county board of poor commissioners, appointed by the Board of County Commissioners, with all the powers of poor relief usually vested in the latter body.

Under the earlier laws the distinction between the town and county systems seems to have been more pronounced than it is today. The responsible units and officers were different, the areas of taxation for relief purposes were different, and on top of these there was a difference in methods of relief. Apparently it was expected that those permanently in need of support would be kept in institutions (poorhouses, workhouses, poor farms) and that so-called "outdoor relief" would be used only temporarily. Since most towns, villages, and cities would be financially incapable of maintaining poorhouses, the law stressed outdoor relief as the method they were to use primarily. They were allowed to pay rent and furnish provisions, clothing, fuel, and medical attention, but not cash. In addition they were authorized to pay the board of applicants for relief.

Counties, on the other hand, when responsible for relief, were apparently to emphasize "indoor relief." They were authorized to provide poorhouses and poor farms, and to appoint overseers of the poor for such institutions, but in addition had the power to provide "temporary relief" to those in need who were not placed in poorhouses.

These principles still stand in the laws, but the passing generation has witnessed a slow but progressive destruction of the differences between the two systems. In the first place, even where the town system prevails, the county board has the power to provide a poorhouse. Where this is done, as in Hennepin and Otter Tail counties, the county pays the initial expense of maintenance for the inmates, but is supposed to charge each town, city, or village a weekly rate for each inmate coming from such place. The law does not require that the weekly rate so fixed shall be sufficient to pay for the inmate, and as a result the county may pay a considerable part of the expense.

Secondly, if the expense of relieving the poor in any city under

20,000, or in any village or town, under the town system, exceeds the amount which can be raised by a one-mill tax, the municipal officials may charge to the county 75 per cent of the amount in excess of the yield of a one-mill tax. In this way the burden of poor relief in the towns, villages, and small cities is shifted in part to the whole county; and the taxpayers in the larger municipalities of the county, besides paying (and it may be paying heavily) for the support of their own poor, must also pay to help support the poor in smaller places. Many of these small places appear not to know of this opportunity to shift their tax burdens.

Finally, it should be noted that under either town or county systems, the county is responsible for mothers' pensions, old-age pensions, the partial support of indigent patients sent to the Minnesota General Hospital, and the enforcement of the laws protecting children.

Thus in effect the so-called "town system" of relief is really a mixed county and town system, with a strong trend toward county support, but with actual expenditure for outdoor relief left in the hands of the town supervisors and the village and city councils. The county system, on the other hand, is much more clear cut. Under it, practically the whole responsibility rests on the county.

In 1927, 59 counties were operating under the county system and 28 under the town system. In the subsequent years there have been shifts both ways, but mainly away from the county system. In 1934, 52 counties were under the county system and 35 under the town.¹⁶ The explanation of this shift is not far to seek. The greatly increased relief load since 1930, coupled with extensive tax delinquency, has made the taxpayer acutely conscious of the relief tax burden. It appears to be true, although the figures are not absolutely conclusive, that the town system results in less expenditure.¹⁷ It also gives a more localized control, the opportunity through disputes over the place of legal settlement to avoid supporting some applicants, and the legal right on the part of small places to shift part of the relief burden to other taxpayers in the county. Similar motives led towns to separate from villages during the depression, so that taxpayers in the town would not be taxed for the relief of the destitute in the village.

At the same time, it appears that the county boards have not distinguished themselves in the handling of relief problems. Each

¹⁶ *Minnesota Year Book*, 1934, p. 130.

¹⁷ Violet V. Johnson and Frank M. Rarig, Jr., "Poor Relief in Minnesota," *Minnesota Municipalities*, 16:390-96 (1931).

member of the board has handled personally the applications for relief and hospitalization coming from his own district. Trained social case workers were practically unknown in the counties until the last few years, and in many places there has been a political flavor to the handling of relief cases. In fact, it seems that, although in earlier days the county commissioners gave a great deal of attention to relief work, after the initiation of the great highway-building programs in about 1919, the commissioners as a body gave less and less attention to relief problems. The final state of the welfare administration of the counties in the late 1920's was very low, though certainly not lower than that of the average town or small municipality.

DISINTEGRATION OF COUNTY WELFARE ADMINISTRATION

Partly because of the general lack of confidence in the county commissioners as welfare administrators, partly for other reasons, several recent forms of relief have not been delegated to them to administer. The mothers' pension system was set up in such a way that the juvenile courts in effect administer it. For carrying out the code of laws concerning child welfare, separate boards designated county child welfare boards were authorized to be appointed in each county. On the other hand, the old-age pension laws of 1929 and 1933 gave the board of county commissioners control of that relief service. The result of all this was a very confusing welfare situation in every county, but a most confusing one in those having the town system. There was almost complete disintegration of welfare services, and no one had the legal power or the duty to coordinate them.

Behind this situation lies another complex of facts. The old State Board of Corrections and Charities, created in 1883, had a large and direct interest in the poor relief work of all local units, and kept close watch upon developments. Various state laws of earlier and later date created state institutions for the care of special classes of defectives—the insane, the feeble-minded, the deaf, the blind, and others—and it fell to this board to administer part or all of them. While these institutions served to relieve the localities of the care of these special classes, and thus to reduce the importance of local welfare work, they also took more and more of the attention of the board. When the State Board of Control was created in 1901 to take over the duties of the former board, the state institutions had become so important that for years they

took nearly all the time and attention the members could give. Local relief and welfare work, seemingly and actually of minor importance in the first three decades of the century, when private agencies, "community funds," churches, and fraternal bodies were largely handling such matters, received little attention from the state. In short, there was no central stimulus to the performance of relief work by local bodies, and no central body with the power or the desire to help integrate the local public agencies. Special or *ad hoc* authorities were created locally for this and that purpose with little or no objection from the central government.

The resulting confusion can be visualized more clearly after an examination of Table 32, which shows not only the extent to which the county has invaded the town system for special purposes, but also the diffusion of responsibility under the county system.

TABLE 32.—AUTHORITIES RESPONSIBLE FOR VARIOUS LOCAL WELFARE ACTIVITIES

| ACTIVITY | IN COUNTIES UNDER COUNTY SYSTEM | IN COUNTIES UNDER TOWN SYSTEM |
|--------------------------------|---|---|
| Outdoor relief | County board * | Town, village, city governing body (partial county support) |
| Indoor relief | County board * (poor-house, poor farm, workhouse) | County board (poor-house, poor farm, workhouse; partial county support) |
| Mothers' pensions | Juvenile court | Juvenile court |
| Old-age pensions | County board | County board |
| General hospital patients..... | County board | County board |
| Sanatorium patients | County or district sanatorium board | County or district sanatorium board |
| Child welfare | County child welfare board | County child welfare board |

* Ramsey and St. Louis counties are exceptions. The former has a joint city-county board of public welfare; the latter a separate county poor board.

EMERGENCY MEASURES SINCE 1932

The situation described above, although still in existence in its main features, has been greatly modified by the emergency measures which began in 1932 with the enactment by Congress of the act establishing the Reconstruction Finance Corporation (RFC). This was followed in 1933 by the provision of the Federal Emergency Relief Administration (FERA), the temporary Civil Works Administration (CWA) of 1933-34, and other measures and organizations which carried the national government far into the relief field.

In 1932 the state also began to arouse itself to the urgency of the relief problem. Funds were obtained from RFC to aid the most distressed counties. The next year the legislature in both regular and special sessions proceeded to provide more largely and more directly for relief of poverty in the state, only to find that the drouth of 1934 was to force it to extend itself even further in works of relief. The State Board of Control and the State Emergency Relief Administration (SERA) were the principal administrative agencies employed.¹⁸ By 1934 these state and national agencies had extended aid to practically every part of the state, and by 1935 the legislature felt impelled to enact further laws and to make additional appropriations for various relief purposes. In 1933 bond issues were authorized and liquor revenues pledged to meet the state's obligations in the matter, and in 1935 further steps were taken to finance relief. At the same time the local authorities had their relief powers extended.

None of these measures has changed materially the underlying legal pattern of local relief and welfare agencies, but certainly the spirit has been greatly changed. The national authorities in granting and loaning relief funds insisted upon using the counties and the large cities as the smallest units for local administration of the national funds, and required also that the relief from these funds be granted only after case studies by social workers. Aided from the center by the State Board of Control the counties set up county emergency relief committees for the handling of the federal funds, and these bodies in turn appointed social case workers to investigate all applications. Within two years most of the counties became acquainted with improved methods of relief administration. There was some grumbling and opposition at first, but most of this soon disappeared.

The legal liability for the support of the poor was not changed by these emergency measures. It remains where it was, on the local governmental units. In fact, however, it is doubtful whether the state can ever fully withdraw from the field of relief, even if the national government succeeds in doing so. A new relationship has probably been established between state and local governments respecting relief, and a new division of responsibility. The state seems

¹⁸ See Report of the Minnesota Emergency Relief Administration to the Minnesota State Planning Board, December, 1934 (mimeographed), 23 pp., 5 plates; also the series of Statistical Reports by SERA (mimeographed and dittoed); and Biennial Report of the State Board of Control, 1934, pp. 50-75. The statements in the text above in no sense summarize these reports.

to be ready to assume a large part of the old-age pension burden,¹⁹ part of the ordinary relief load, and a great deal of the responsibility for emergency needs arising from disasters such as drouth.²⁰ The national government, too, may be unable wholly to retire from the field.

In the state, the Board of Control has found a renewed interest in local relief and welfare work. This revival of an old concern is not likely soon to die. Hence it may be expected that there will be an agency at St. Paul to plan for better organization and administration of relief in the localities.

FUTURE ORGANIZATION FOR LOCAL WELFARE WORK

Although some reaction against present methods and policies seems likely to occur, the time appears to be propitious for further improvements in local welfare and relief organization and methods.

Towns, and all municipalities of under 20,000 population, seem to lack the qualifications and resources for adequate welfare work. Even some counties as now organized are too small. In any case the right of counties to shift from town to county plan and back to town plan, endlessly, produces much harm and no visible good.

In a system using the counties and the larger municipalities as local units, not more than one hundred in all, there is need for greater integration of responsibility. As a rule separate boards tend to divide up responsibility, but there is a period ahead in which welfare and relief work must be developed and made to demonstrate its value to the people. For this period it would seem to be wise, at least in many counties, to permit a single appointed board to assume control of all social welfare and relief work, including direct relief, poor farms, mothers' pensions, child welfare, and other services. With the coming of old-age pensions it may be possible to abolish poor farms and similar institutions as now conducted, or, if not to abolish them, to create larger districts and to have fewer and

¹⁹ By Session Laws, 1935, Ch. 357, the state assumes half of the burden of old-age pensions, the county to bear the rest, and appropriates \$2,000,000 for this purpose for the biennium 1935-37. Because of certain procedural defects, the attorney general has raised a question as to the validity of this act.

²⁰ Other acts of 1935 include Chapter 30, appropriating \$500,000 to the state executive council for drouth relief; Chapter 33, appropriating \$200,000 to the same body for the direct relief of veterans; Chapters 50 and 70, providing \$2,000,000 for seed-grain loans for farmers unable to borrow elsewhere; Chapter 51, authorizing the borrowing of \$5,000,000 in 1935-36 and the same amount in 1936-37, to be used to match federal and local funds for relief purposes; and Chapter 526, authorizing the Board of Control to give direct aid to dependent children and to accept the terms of the national social security act (which had not been passed at the time).

better homes for the aged poor. State supervision of local welfare work and institutions will undoubtedly be more active and fruitful than in the past. It will be needed to tone up the work in the local units.

State aid also will probably continue in some form. Instead of going directly to the recipient, it might go to the suggested county board of welfare, to be administered by it under rules and standards laid down in the state law. One such rule would encourage the employment of trained workers of different types in the relief and welfare agencies. Not all would be ordinary case workers.

Questions will arise as to the relationship of such a board to the health and nursing services, to the sanatorium, and to the schools. No final answer is possible. Some counties might well experiment with a single board for health and welfare services, such as exists in Minneapolis. Others could use two separate boards, but there is danger in having the work indefinitely split up.

In counties sufficiently advanced for the next step, no welfare board would be needed, although an advisory body in this field serves an important function. It is entirely feasible to have a county-manager plan in which the manager, responsible to the county board or council, appoints and controls a director of public welfare to head up all the welfare services of the county.

CHAPTER XIV

POLICE, COURTS, AND LAW ENFORCEMENT

Although nowhere specifically mentioned in the state constitution, the maintenance of law and order is unquestionably a function, and the primary function, of the state. Upon no other basis than that of public order can the beneficial services of education, health protection, welfare work, and highways be provided, and the good performance of the latter functions, instead of making law enforcement less necessary, has in some cases increased the need for it. There is no present evidence that men will ever be able to do without agencies to enforce the law.

POLICE OFFICERS AND AGENCIES

From the beginning of Minnesota's history it has been the policy, nevertheless, to leave law enforcement almost entirely to local authorities. Only in the past ten years has there been any significant trend toward centralization of this function in the state. In this policy of decentralizing the law-enforcing power, Minnesota has merely conformed to the policy of all the other states.¹ For nearly one hundred and fifty years the American states did very little directly or systematically to improve the enforcement of the laws.

Looking backward, we think we can see the explanation of this general policy. American society was at first fairly simple and agricultural. Population was sparse. Crime was local, and the criminal had as a rule no better means of escape than a horse which could be matched for speed and stamina by many others in the locality. Roads were poor and offered little opportunity for escape, although the wilderness offered sanctuary to many a criminal. The pioneer spirit of self-reliance, and the strong feeling of localism and resentment toward central authorities, filled legislators as well as their constituents. As a rule, men did not even think seriously of establishing state police forces, although for special purposes there were a few exceptions, such as the Texas Rangers. When local law enforcement failed, men were more inclined to look to themselves

¹ See Bruce Smith, *Rural Crime Control* (New York, 1933).

and to organize extralegal bodies of vigilantes, anti-horse-thief associations, and claim associations, than to think of the state as the organizer of a police system.

The system early provided for Minnesota consisted, and still consists, of the elements described below.²

Counties.—In each county the voters elect a sheriff, to serve for a term of four years. He in turn has the power to appoint one or more deputies. To be elected sheriff, the only legal requirement is that a person be a voter in the county. For deputies practically the same rule prevails. In all but a few counties the sheriff receives only a small salary; the rest of his earnings come from fees and the earnings derived from services such as the boarding of prisoners. The exact number of deputies at any time cannot be given, but the recent figures in Table 33 suggest the trends in a few large

TABLE 33.—NUMBER OF LAW-ENFORCING OFFICERS EMPLOYED IN SEVERAL LARGE COUNTIES

| COUNTY | SHERIFF'S DEPUTIES | OTHER EMPLOYEES | TOTAL INCLUDING SHERIFF | NUMBER PER 10,000 POPULATION |
|------------------|-----------------------|--------------------|-------------------------------|------------------------------------|
| Hennepin | 61 | 3 | 65 | 1.2 |
| Ramsey | 40 | 3 | 44 | 1.5 |
| St. Louis | 48 | 3 | 52 | 2.5 |
| Becker | 1 | 0 | 2 | 0.9 |
| Beltrami | 2 | 0 | 3 | 1.4 |
| Blue Earth | 1 | 0 | 2 | 0.6 |
| Freeborn | 1 | 1 | 3 | 1.0 |
| Otter Tail | 1 | 0 | 2 | 0.4 |
| Polk | 3 | 1 | 5 | 1.3 |
| Stearns | 4 | 2 | 7 | 1.1 |

counties. The large urban counties, including cities with large police forces, also provide amply for deputies and employees in the sheriff's office. The more rural counties make very meager provision for this office.

In addition to sheriffs and deputies, each county has an elective coroner with powers of inquest in cases of death under suspicious circumstances, and authority to act as sheriff in case that office is vacant.

Towns.—Each town is entitled to elect two constables from

²A descriptive study that is still useful though out of date in parts is Elmer E. Hilpert, "Police Protection in Minnesota: A Study in the Relationships of the State and Local Administrations," an unpublished 46-page manuscript, with a chart, filed in the library of the Municipal Reference Bureau at the University of Minnesota. For the several officers and courts described see also Mason's Minnesota Statutes.

among its qualified voters. The term is two years; there is no salary; and the fees collected for services in most towns are negligible. Replies to a questionnaire recently circulated showed that of 682 towns answering, 255 had two constables each, 240 had one each, and 187 had none. If this is a fair sample of the towns, there are about 2,300 town constables in the state, but about 500 towns have none.

Villages.—The more than 600 villages are also authorized to elect two constables each, for two-year terms, and the village presidents and trustees themselves have the powers of peace officers. In addition the village trustees may appoint a marshal, a fire warden, night watchmen, and such other special police as may be necessary. A larger proportion of villages than of towns elect constables. Of 397 villages replying to a recent questionnaire 206 had two constables each, 165 had one each, and 26 had none.

Since constables are as a rule unsalaried, they function mainly in the serving of writs for the local justice courts, for which they receive fees. As officers of village law enforcement they are nearly negligible. Marshals and police officers have taken their place, and some of the larger villages have regular police forces, of which the largest are found in the Iron Range communities. Hibbing in 1931 had 34 policemen, or better than one for each 500 inhabitants. From this high point the number drops off rapidly, and many villages have none. Everything depends upon local choice, and this in turn is affected by resources.

Cities, and the larger villages, as a rule, have police forces in rough proportion to their populations. The numbers had reached their maximums, in most places, about 1930-31, at which time the figures in Table 34 were officially reported for some of the larger cities and the village of Hibbing.

At the same time, per capita police expenditures were at their highest. Over \$2.80 per capita was being spent in the three cities of the first class. The median for cities of the second and third classes was \$1.62, for cities and villages of 5,000 to 10,000, \$1.54, for those of 500 to 5,000 about \$1.06; but in places of under 500 the median dropped to 8 cents per capita. It is clear that most of the smaller villages were not providing for paid police forces.

These figures only serve to make clearer the commonly observed facts that the smaller villages, like the towns, are practically lacking in police protection. For about half of the people of Minnesota, living in towns and the smaller villages, there are no paid

local policemen. The sheriff, and his deputy or deputies, in the proportion of one to about 7,000 inhabitants, must be called in case of any serious crime or disorder. A regular rural patrol is unknown except in the vicinity of the large cities.

The inadequacy of rural police protection is more fully revealed by a study of what sheriffs and constables actually do. From various indications it appears that the constable of the town or village gives but little time to his official duties; and that that little is taken up in attending the court of the justice of the peace and serving processes for that court. Even the sheriff and his deputies

TABLE 34. — NUMBER OF POLICE OFFICERS EMPLOYED IN SEVERAL CITIES AND ONE LARGE VILLAGE

| CITY OR VILLAGE | MONTHLY AVERAGE NUMBER | NUMBER PER 1,000 POPULATION |
|-------------------------|------------------------------|-----------------------------------|
| Minneapolis | 541 | 1.2 |
| St. Paul | 345 | 1.3 |
| Duluth | 133 | 1.3 |
| Hibbing (village) | 34 | 2.2 |
| St. Cloud | 19 | 0.9 |
| Winona | 19 | 0.9 |
| Austin | 12 | 1.0 |
| Rochester | 10 | 0.5 |
| Albert Lea | 6 | 0.6 |

must give much of their time to serving writs, but in addition these officers are busy collecting personal property taxes, conducting tax sales, serving the district courts while in session, maintaining the jail and caring for the prisoners, and performing other activities not directly connected with ordinary law enforcement. In Hennepin County, for example, nearly half of the deputies devote their time almost wholly to courtroom work, tax collection, bookkeeping, cooking, attending to the jail, serving processes, and acting as night watchmen.

THE COURT SYSTEM

Parallel to the agencies of law enforcement, but independent of them, are the courts which handle the cases of violators of law, from local, petty misdemeanors up through the most serious crimes.

Justice courts.—At the bottom of the judicial pyramid stands the whole array of justice-of-the-peace courts. The constitution mentions the election in each county of a sufficient number of justices of the peace,³ but by law every town, nearly every village,

³ Constitution of Minnesota, Article VI, Section 8.

and a number of small cities are entitled to elect two justices of the peace. In other words, justices are supposed to be elected wherever there is no municipal court. Legally there might be more than five thousand justices of the peace in Minnesota, but in practice the number is probably more nearly three thousand. The following data derived from a questionnaire several years ago give some idea of the number at that time (1931).

| | <i>Number in State</i> | <i>Number Replying</i> | <i>Number Having Two Justices</i> | <i>Number Having One Justice</i> | <i>Number Having No Justice</i> |
|-------------|----------------------------|----------------------------|---------------------------------------|--------------------------------------|-------------------------------------|
| Villages .. | 634 | 397 | 168 | 173 | 56 |
| Towns ... | 1,973 | 692 | 233 | 241 | 208 |

The responding villages had 509 justices, or 64 per cent of the possible 794, whereas the towns had 707, or 51 per cent of a possible 1,364. Nearly one-third of the towns had no justices of the peace, a lack of no great consequence in view of the fact that each justice has jurisdiction throughout the county. Naturally the distribution of justices throughout the state is very uneven.

Any legal voter in the town, village, or city is eligible to the office of justice. No knowledge of law is required, and since most lawyers live in the larger centers, relatively few justices have a standing at the bar. The term is only two years, but re-elections, especially in the rural districts, are very common. Payment of justices, as of constables, is entirely by fees, so that both officers profit in proportion to the number of cases brought. "Drives" by constables and justices upon motorists for speeding, parking automobiles by the roadside, and parking without lights are a recurrent abuse in the neighborhood of the large cities. The justices do not always report the amounts they receive from cases arising under local ordinances, but the amounts are probably large in some localities. Although appeals to the district court are possible, they are very rare, because of the small amounts involved in any case; and as a result the decisions of the justices are seldom reversed. No higher court has any direct supervision over them.

A justice of the peace may not render a decision in any criminal case arising above the level of a misdemeanor in which the fine is \$100 or less. He has, however, the function of an examining magistrate in criminal cases where the penalty is in excess of his jurisdiction, and he has power to issue warrants, make arrests, put under bond, and commit to jail those who break the peace or who are charged with crime. At this point he is an important factor in the process of enforcing the criminal law.

Municipal courts have been established by special act in a number of cities and villages, and are authorized by general law to be established in any city or village of 1,000 inhabitants or more. Most municipalities of over 2,500 and many of smaller size have established such courts; and where they exist there are, as a rule, no justices of the peace. No justice of the county has jurisdiction within a municipality which has such a court.

The term of a municipal judge is four years, and he is paid by salary instead of by fees. The law also specifies that such judges "shall be men learned in the law," and this seems to be adhered to without exception, although it is hard to see how the requirement can be justified under the state constitution.⁴ These three factors—longer term, salary, and learning in the law—suggest the defects in the justice courts which the municipal courts supplant. Although popular election of the municipal judge does not always lead to the selection of the best-qualified persons, the municipal court system is by general admission so far superior to the justice-of-the-peace system that very few observant citizens would think of returning to the latter where the municipal court system has been tried. The municipal court is, also, a court of record, a point of some importance in law enforcement.

In its jurisdiction a municipal court covers all the types of cases handled by justice courts, and more besides. In addition to a broader civil jurisdiction the municipal court has power to punish for violations of local ordinances, to try defendants in numerous misdemeanor cases, and to examine and bind over to the district courts persons charged with serious offenses.

The *state district courts* stand just below the state Supreme Court, and occupy, on the whole, the most important place in the judicial arrangements for law enforcement. Those of Hennepin and Ramsey counties serve but a single county each; each of the others serves two or more counties. The judges are all members of the bar ("learned in the law"); they have terms of six years and are usually re-elected; they receive substantial salaries; and in spite of being elected by popular vote they are more free from local politics than most locally elected judicial officers. To describe these courts fully would be impossible in this short chapter. Some of their work in criminal cases has been carefully studied and various defects have been found, but none that require organic changes.

⁴Mason's Minnesota Statutes, Section 217; Constitution of Minnesota, Article VII, Section 7; Article VI, Section 9.

PROSECUTION OF OFFENDERS

Between the courts and the police stand the agencies for prosecuting offenders. The attorney general has some duties connected with prosecutions, and the right to intervene in criminal cases, but the bulk of the work falls upon the county attorneys. These officers are elected one in each county for a four-year term, are paid satisfactory salaries in the larger counties, and are now uniformly "learned in the law." They begin generally as vigorous young local attorneys with ambitions to go higher. In the smaller counties the pay is so small, and the work relatively so unimportant, that a career as county attorney is nearly out of the question.

For misdemeanor cases in cities and villages, the city attorney or some special counsel serves as prosecutor.

PENAL INSTITUTIONS

A complete conspectus of the many agencies for law enforcement in Minnesota would include the prisons and reform schools of the state, the county jails and lockups, city and village lockups and workhouses, the work of pardon and parole boards, the probation system, and other institutions and organizations. To attempt to describe all these elements would take another book. It is enough here to mention their existence. Table 35 shows in brief the courts, prosecuting officers, and police authorities at the several levels.

CHARACTERISTICS OF LOCAL LAW ENFORCEMENT

The numerous agencies of local law enforcement already described need to be pictured against a background of changing social conditions. Since these agencies were first established in the early days of the state, cities have grown to great size, paved highways have ribboned the state, automobiles of almost incredible speed and sturdiness have become common, and the mobility, organization, and equipment of criminals have gone beyond anything previously known. These new facts have thrown into strong relief some of the weaknesses in the local machinery of law enforcement. One impartial investigating body after another has called attention to these deficiencies, so that today they are no longer seriously questioned.⁵ Despite the inauguration of some very recent changes,

⁵ See Report of the Minnesota Crime Commission, Supplement to *Minnesota Law Review*, Vol. 11 (January, 1927), 77 pages; Report of the Minnesota Crime Commission, 1934 (St. Paul, 1935), 217 pages; and pages 5-22 of *Conference on Governmental Relationships*, 1930, a bulletin published by the University of Minnesota.

TABLE 35. — AGENCIES OF LAW ENFORCEMENT IN MINNESOTA *

| COURTS | PROSECUTION | LAW ENFORCEMENT |
|---|---------------------------------------|---|
| STATE | | |
| Supreme Court | Attorney general | Governor, secretary of state, attorney general Conservation department: game wardens, game refuge patrolmen, district forest rangers, fire patrolmen Highway department: highway patrol Commerce department: fire marshal Motor vehicle division (secretary of state) |
| District court | | Bureau of criminal apprehension Pardon and parole boards: parole agents |
| COUNTY | | |
| (Probate court) (Court commissioner) (Clerk of court) | County attorney (Public defender?) | Sheriff and deputies; probation officer (large counties) |
| CITY | | |
| Municipal court (Justices of peace) | City attorney Mayor | Mayor Police department Fire department Fire marshal |
| VILLAGE | | |
| Justices of peace (Municipal court in larger places) | Village attorney | Constables, marshal, police |
| TOWN | | |
| Justices of peace | | Constables |

* Rare, unimportant, and exceptional agencies are in parentheses.

soon to be discussed, the admitted defects are essentially as follows:

1. Law-enforcing agencies have lacked integration. No one in the state has the power of control over all agencies, and the laws provide for very little unification of the system. Disunity appears between the police, the courts, the prosecutors, and the penal institutions, and also between the state, county, and local authorities.

2. Lacking legal integration, the various agencies also lack regular means of cooperation and communication. Whatever mutual assistance is offered is more or less casual and sporadic. This defect has recently been partly removed.

3. The geographical areas of law enforcement are too small, especially outside the large cities, and geographical limits upon an

officer's power of arrest have given the escaping criminal a great advantage in the race.

4. The officers of law enforcement — constables, sheriffs, village and city police, the justices of the peace, the county attorneys, and some judges, generally lack the training needed for the special work of law enforcement. Professional zeal and spirit are hard to maintain.

5. The latter condition is due in large part to the popular election of many officers of the law and to the lack of adequate tenure and salaries for them and for the many officers appointed for short terms and from political motives, and subject to political removal.

6. Outside the large cities, also, the police, the prosecutors, and the courts lack the equipment, the arms, the means of identifying criminals, and the statistical knowledge of crime conditions needed for effective law enforcement.

7. Officers have so many trivial duties imposed upon them, and so much work that is not connected with law enforcement, that they do not have enough time for the main task.

8. The public attitude toward law enforcement is not always conducive to the best results.

THE STATE ENTERS LAW ENFORCEMENT

For many years the state has been developing an uneasy conscience over the lack of law enforcement. A little here and a little there, it began in the past generation to patch up the old machinery, but with only half-hearted efforts and without plan. The state fire marshal was empowered to deal with arson cases, game wardens to enforce the game laws, and forest rangers to enforce the forest laws. The governor early received and occasionally used the power to remove county law-enforcing officers, and other tentative steps were taken.

About ten years ago things began to happen more rapidly, and the movement for reform acquired definite direction. The Minnesota Crime Commission of 1926, appointed by the governor, reported that there was no state agency to attempt to solve crimes, or to arrest criminals, or even to study the work of the local agencies. "Each local unit of our government acts for itself. Each county has its sheriff, county attorney, etc. Each municipality maintains its separate police. State-wide organization, where it exists, is either casual or voluntary."⁶

⁶Report of the Minnesota Crime Commission, 1927, p. 14.

There was much opposition in the legislature, but some of its proposed reforms were enacted into law. One act permitted any police officer to disregard local boundaries and to pursue and arrest a suspected criminal anywhere in the state.⁷ Another established a Bureau of Criminal Apprehension under the attorney general—a small copy of the Division of Investigation under the attorney general of the United States.⁸ In 1929 a state highway patrol was set up in the Highway Department.⁹ Other measures made changes here and there in judicial procedure.

The years went by. The famous Wickersham Commission made its report on law enforcement. The depression brought new stresses and problems. The Division of Investigation of the Department of Justice made what seemed to be a splendid record in rounding up kidnappers and other criminals who crossed interstate lines in law-breaking. A new faith in the possibilities of enforcing the law stirred the American people.

In 1934 the president of the Minnesota Bar Association appointed an unofficial state crime commission, the second in ten years. It surveyed what other commissions had recommended and reported what it thought Minnesota needed.¹⁰ In the 1935 session of the legislature much of its program was adopted. Some of the highlights were as follows:

1. The State Bureau of Criminal Identification was empowered to establish one or more police radio broadcasting stations.¹¹

2. It was also given an increased appropriation and personnel and authorized to conduct investigations and make arrests anywhere in the state, and to cooperate with local police.¹²

3. The same act created in the bureau a division of criminal statistics, made it the duty of all police officers, prison wardens, and others concerned to report to it all desired information with respect to crimes and criminals, and also made it the duty of sheriffs, and of the police in cities of the first, second, and third class to take fingerprints of arrested suspects and return them to the bureau.

4. Another act authorized the highway patrolmen to exercise

⁷ Session Laws, 1927, Ch. 256; Mason's Minnesota Statutes, Section 10575-1.

⁸ Session Laws, 1927, Ch. 224; Mason's Minnesota Statutes, Section 9950-5 to 51.

⁹ Session Laws, 1929, Ch. 355; Mason's Minnesota Statutes, 1931 Supplement, Section 2554-18.

¹⁰ Report of the Minnesota Crime Commission.

¹¹ Session Laws, 1935, Ch. 195.

¹² *Ibid.*, Ch. 197.

the same powers as sheriffs and policemen have exercised with respect to enforcing the criminal laws, "upon all trunk highways, . . . and, for the purpose of continuing pursuit from such trunk highways of offenders thereon, upon all public highways connecting and traversing such trunk highways." The number of highway patrolmen was increased from 70 to 100.¹³

5. The educational appropriation bill authorized the University of Minnesota to provide a police school, but made no special financial arrangements for it.¹⁴

6. A number of other acts perfected various provisions of law relative to procedure in criminal cases, and one provided for a better and more continuous classification of prisoners.

These laws, taken as a group, represent a considerable advance over previous state legislation. But in what direction is the movement? Clearly nothing important has been done to change the local police system. Instead, a growing state machinery of law enforcement is being superimposed upon the existing local agencies. The new state machinery is itself not integrated, but on the other hand the Bureau of Criminal Apprehension has new but limited supervisory powers over local police. The state is thus recognizing in part its own direct responsibility for law enforcement, and to a small extent the need for coordinating state and local agencies of enforcement.

The advance is also in the direction of an improved code of criminal procedure, but nothing has been done to reorganize the local courts or the agencies of prosecution. In fact, instead of making fundamental changes in local police and court systems, the legislature is inclined to ignore them as much as possible, to let them muddle along or atrophy, while the state gradually supplants them with new state agencies. On the other hand, the state program is far from being complete. A state judicial council for the continuous study of the state's legal problems, and complete state support of the district courts, are still to come. State appointment of prosecutors and a state police force of adequate size for rural district patrol work are far in the future. Integration of urban police forces with the state-wide system and standardization of police service through state aid and supervision also lie beyond our present horizon.

These omissions in the new laws suggest that many more steps

¹³ *Ibid.*, Ch. 304.

¹⁴ *Ibid.*, Ch. 382, Section 2.

have yet to be taken before any satisfactory solution of the problems will have been attained. At the same time there is much reason for hope and good cheer. In ten years there have been signal advances on the road to an improved, integrated system of law enforcement for Minnesota—a system in which state and local agencies will cooperate in discharging a joint responsibility.

CHAPTER XV

HIGHWAYS, ROADS, AND STREETS

It is customary to deal with the roads which lie in the rural portions of the state and the streets which are situated in cities and villages as if they were separate systems. The political reasons for this separate treatment are not persuasive, and it may be that they are of declining importance. The obvious fact is that everywhere rural roads and city streets constitute one continuous and connected system. Rural residents daily use city streets in reaching their destinations, just as city-dwellers when they leave their home cities drive over rural highways and roads. The problem of financing these arteries of travel is a common one for all. For these reasons this chapter deals with the entire problem of highways, roads, and streets in Minnesota as a single problem. The term "roads" when used alone herein is used to cover all classes of roads and streets, both rural and urban.

ROAD MILEAGES AND EXPENDITURES¹

In 1932 and 1934 the mileage of public roads of all kinds in Minnesota stood approximately as given in Table 36. Highway mileage statistics, especially the mileages reported for minor roads in rural areas, are generally unreliable, whereas general statistics for city and village streets are almost nonexistent. Nevertheless we believe that the following discussion of mileages has some importance as bearing on the road problem in Minnesota.

According to the data available in 1922, there were in the United States as a whole, outside of cities and villages, 2,941,294 miles of public roads. The average was one mile for every 37 persons in the population, and one mile for every \$109,069 of estimated wealth. With these basic data as a guide the various states were distributed into groups according to their road mileages in relation to both population and wealth. In this distribution Min-

¹ The 1932 data on road mileages, expenditures, and income here given are taken largely from a report soon to be published, entitled "Highways and Public Finance in Minnesota: A Cooperative Research Study," by the Bureau of Public Roads of the United States Department of Agriculture and the Highway Department of Minnesota. This report, which is on file in manuscript form in the Highway Department offices, gives the results of the most complete study yet made of this subject. See also Roy G. Blakey, *Taxation in Minnesota*, pp. 368-418.

nesota was found to have more than the average number of miles of road in proportion to both population and wealth. It was maintaining one mile of road for every 23 persons in the state and for every \$79,811 of estimated wealth.

Since these figures were compiled, more than ten years ago, the total mileage of roads reported for Minnesota has increased at about the same slow pace as the population but faster than assessed valuation, which, after going up, has come down again. In 1932 there were 110,000 miles of roads and highways outside of cities and villages, or one mile for every 23 persons in the state, as in 1922.

TABLE 36. — HIGHWAY, ROAD, AND STREET MILEAGES IN MINNESOTA, 1932 AND 1934

| CLASS | MILES IN 1932 | MILES IN 1934 | PERCENTAGE OF TOTAL, 1932 | PERCENTAGE OF TOTAL, 1934 |
|------------------------------|------------------|------------------|---------------------------------|---------------------------------|
| State trunk highways..... | 6,771 | 11,338 | 5.6 | 9.4 |
| State-aid roads } | | 14,180 | | |
| County-aid roads } | 32,125 | 13,103* | 26.6 | 22.6 |
| Town roads | 72,577 | 73,000* | 60.3 | 60.6 |
| Village streets | 4,500* | 4,500* | 3.8 | 3.8 |
| Streets in smaller cities... | 2,000* | 2,000* | 1.7 | 1.7 |
| Duluth streets | 516 | 516 | 0.3 | 0.3 |
| St. Paul streets..... | 867 | 867 | 0.7 | 0.7 |
| Minneapolis streets | 1,022 | 1,022 | 0.8 | 0.8 |
| Total | 120,438 | 120,586 | 99.8 | 99.9 |

* Partly estimated. The figures for the cities are not entirely comparable, but as a rule they do not include park boulevards or alleys.

Sixty-six per cent of this rural road mileage in 1932 consisted of town roads, 28 per cent of county- and state-aid roads, and 5.5 per cent of state trunk highways. In 1934 trunk highways had increased to 9 per cent of the mileage outside incorporated places. The 72,577 reported miles of town roads in 1932 provide a mile of such roads alone for every 35 persons in the state, or one mile for every 13 persons living outside cities and villages. Since many rural residents live along trunk highways and state-aid roads, this would seem to provide a mile of town roads for every 7 or 8 persons living off the main roads in rural areas.

The question arises whether, in the rush to get farmers on every possible farm site in the state, the local authorities have not been too liberal in opening new roads at public expense for scattered settlers. The newspapers recently reported a case in which the public examiner criticized a town board that, instead of building a

long road over a swampy tract to serve a single settler, paid him \$90 to move his house nearer to an existing road. The public examiner was undoubtedly right as to the law, but the case is a good illustration of the pressure upon town boards to build roads to serve everyone within the town's boundaries. Towns have been under no state or county supervision in the laying out of roads. Individual towns have added to their road mileage from time to time, more or less without plan. The law seems to require certain extensions in order that every settler, however remote, may be served. Since it is always harder to decide to abandon an old than to open a new road, mileages steadily increase. One wonders, therefore, whether a careful survey of roads in each county would not reveal many cases in which, by slight changes here and there, many miles of existing but little-used roads could be abandoned without real inconvenience, and the expense of maintenance saved. Perhaps there are many instances where remote settlers should be induced to move nearer to established roads and schools. Land planning, road planning, and school planning need, of course, to be dealt with as one problem.

ROAD EXPENDITURES AND REVENUES

While the annual expenditures on highways, roads, and streets in Minnesota are next in importance to those for education in all branches, an accurate summary of these expenditures for any one year is not available. Table 37 gives a close estimate for 1932. It

TABLE 37.—CLASSIFICATION OF EXPENDITURES FOR HIGHWAYS AND ROADS IN 1932
(000 omitted)

| PURPOSE | STATE TRUNK HIGHWAYS | STATE-AID AND COUNTY- AID ROADS | TOWN ROADS | ALL RURAL ROADS |
|--------------------|-------------------------|---------------------------------------|---------------|--------------------|
| Construction | \$26,290.5 | \$5,181.0 | \$2,097.3 | \$34,177.8 |
| Maintenance | 3,818.4 | 5,700.5 | 1,097.4 | 10,616.3 |
| Overhead | 2,032.0 | 1,839.2 | 99.6 | 3,970.8 |
| Total | \$32,140.9 | \$12,720.7 | \$3,894.3 | \$48,764.9 |

will be noted that the total expenditures on rural roads of all kinds amount to about \$19 per capita for the entire state. In addition, cities and villages expended probably \$7,000,000 on street construction and maintenance. The sources from which these revenues were drawn are revealed in part by the data given in Table 38 on the following page.

No single year can give us a typical picture of road revenues and expenditures over a longer period. Federal aid has fluctuated considerably in recent years, but has tended to increase greatly. The motor vehicle tax has gone down and up again very recently. Gasoline tax revenues have tended to increase, while property taxes and special assessments yielded less each year from 1930 through 1933. Bond issues, particularly those of the state, have caused the amounts available for expenditure to jump very high in certain years.

TABLE 38. — INCOME FOR HIGHWAY, ROAD, AND STREET PURPOSES IN 1932

| SOURCE | FOR TRUNK HIGHWAYS | FOR COUNTY- AND STATE-AID ROADS | FOR TOWN ROADS | FOR CITY AND VILLAGE STREETS | TOTAL |
|--|--------------------------|--|----------------------|---------------------------------------|--------------|
| Property taxes and ap- propriations from general funds | | State aid: \$1,884,200 County aid: \$3,894,300* \$7,406,400 | | \$4,500,000† | \$17,684,900 |
| Special assessments | | | | 2,500,000† | 2,500,000 |
| Motor vehicle registration tax | \$7,180,700 | | | | 7,180,700 |
| Gasoline tax | 6,651,000 | 3,335,500 | | | 9,986,500 |
| Bond sales receipts | 10,000,000 | 94,600 | | | 10,094,600 |
| Federal aid | 4,450,200 | | | | 4,450,200 |
| Total | \$28,281,900 | \$12,720,700 | \$3,894,300 | \$7,000,000† | \$51,896,900 |

* Figure for expenditures. Practically all comes from property taxes.

† Estimated.

‡ Not known.

CENTRALIZATION OF ROAD ADMINISTRATION

The complicated classification of roads and highways now in use in Minnesota is mute evidence of the recent centralizing movement in rural road finance and administration. By the state constitution adopted in 1857, the state government was forbidden ever to "contract any debts for works of internal improvement or be a party in carrying on such works" except in cases where land or other property had been donated to the state for the purpose, and then only to the extent of the avails of such grants.² Roads were held to be works of internal improvement, and for this reason the state as such could not engage in constructing them; but this prohibition, it was held, did not apply to counties and other political subdivisions of the state. These local agencies could do what their principal could not. Thus it came about that for over sixty years

² Constitution of Minnesota, Article IX, Section 5.

in the history of the state, highways, roads, and streets were built and maintained almost entirely by the towns, counties, cities, and villages. For many years, also, county road work was negligible. The smallest rural units, the towns, provided most of the rural roads while cities and villages looked after their own streets. During most of this period the state had no highway department and no funds to spend upon roads.

Even before the automobile became a success, there was need for better roads and a demand for a state-wide uniform system of roads. A long agitation ensued for more state action. Finally, in 1897 the legislature proposed a constitutional amendment to provide for a "state road and bridge fund." This proposal was ratified by popular vote in 1898. By this vote, the income from investments in the internal improvement land fund was to be used for road purposes, and the legislature was authorized to levy a tax of one-twentieth of a mill on the taxable property in the state for the same purposes. The fund thus obtained, which now would seem pitifully small, was not to be spent by the state itself to improve the roads but was to be distributed to the counties in amounts of not less than one-half of 1 per cent nor more than 3 per cent of the fund each year to each county. The state itself, therefore, built no roads and maintained no roads, but it did retain some supervision over county expenditure of the road and bridge fund. Thus the foundations of a system of state roads constructed and maintained by the counties were planned and begun.

The road and bridge tax thus authorized was first levied in 1905. By subsequent amendments down to 1912 the authorized state road and bridge tax was increased to one mill, at which rate it still stands. Its essential character as the source of a fund to be distributed to the counties has not to this day been changed. The one-mill tax is now a regular part of the annual state property tax levy. At present it brings in about \$1,300,000 a year. At one time the annual amount was nearly \$2,000,000, and if property valuations do not recede further, and if tax collections improve, the yield will increase in future.

After 1910 the use of automobiles increased steadily and rapidly throughout the country. A nation-wide demand for improved highways resulted in the first of the federal appropriations for state highway building, made available in 1917. Since federal aid to any state was conditional upon the state's matching the funds granted, and since the amount was increased year after year, it became to

the interest of each state to conform to the requirements of the national good roads law. A general boom in road building and a rapid movement to establish state highway departments resulted. Minnesota fell into line in 1920 with the adoption of the so-called trunk highway amendment.³ By 1931 Minnesota alone received more money in federal road aid than was allotted to all the states combined in 1917.

Before the trunk highway act was passed in 1921, some 13,653 miles of so-called "state roads" were being maintained by the counties with aid from the state road and bridge fund. Nearly half of this mileage went into the 7,000-mile system of trunk highways in 1920. The rest of the "state road" mileage went into the class that is now known as "state-aid roads," to be discussed on the following page.

THE SEVERAL CLASSES OF ROADS

Other changes in classifications and relative mileages occurred in later years. The mileage of state-aid roads, sharply reduced in 1920-21, increased again to about 16,530 miles in 1933, when it was reduced again by the transfer of over 4,000 miles to the trunk highway system. In the meantime the mileage of county roads also was increasing, rather slowly from 1921 to 1929, but in the latter year the authority granted to counties to create a system of "county-aid" roads to be aided by the gasoline tax nearly wiped out the category of county roads. Most counties simply turned all their county roads into "county-aid" roads. Town road mileages, despite the fact that new town roads were being established every year, showed a net loss in mileage between 1920 and 1930. They were the great reservoir out of which roads were being lifted to the levels of county roads, county-aid roads, state-aid roads, and trunk highways. In 1933 even some miles of main streets in the three cities of the first class were taken over by the state as parts of the trunk highway system. In short, the movement toward centralization of road management went forward continuously, sometimes smoothly, sometimes by jerks, and has not yet ended. And what goes up, in this case, does not come down again.

The *trunk highways*, now over 11,000 miles in length, are constructed, maintained, and patrolled directly by the State Highway Department. The system now includes some miles of streets within the boundaries of the three large cities, Minneapolis, St. Paul, and

³ *Ibid.*, Article XVI.

Duluth. When routing a trunk highway through smaller cities and villages, the State Highway Department usually paves or otherwise improves a strip of the standard width along the chosen street of the city or village, leaving additional improvements or wider paving to be provided by the local authorities. The trunk highways are constructed and maintained by revenues from three principal sources: the entire net proceeds of the motor vehicle registration tax, two-thirds of the gasoline tax, and federal aid. From these three sources over \$24,000,000 was derived in 1931, or over \$3,000 per mile of trunk highways. Borrowed funds are, of course, additional. In 1932 the amount from these three sources fell off to \$21,358,374 and in 1933 to \$16,937,722. In 1934 it increased again, to \$21,049,649 (including NIRA trust funds for highways).

As a result of these large revenues and of the admittedly excellent administration of the State Highway Department, Minnesota has in a dozen years been provided with a system of primary roads far surpassing the dreams of the good roads enthusiasts of twenty years ago. The state has definitely been "lifted out of the mud," and the lifting still proceeds.

State-aid roads.—Although about 7,000 miles of state-aid roads went into the trunk highway system in 1920–21, by the designation of some new state-aid roads in 1921 the mileage of such roads increased again to 8,358 by the end of that year. After that the mileage in this important system of secondary roads nearly doubled, and in 1931 included 16,493 miles, or more than twice the total of the trunk highway system. Then some 4,000 miles of the more important roads were made trunk highways and the total mileage of state-aid roads dropped again. Some federal aid money was spent upon this class of roads prior to 1922, but in the main they are now financed out of revenues received from the one-mill state road and bridge tax apportioned among the counties, at the lowest about \$1,300,000 a year, and from county road and bridge taxes. State aid in 1933 averaged only a little over \$100 per mile, out of total expenditures on these roads of about \$6,000,000 or over \$360 per mile. Practically all the additional revenue came from general property taxes. No part comes from the motor vehicle tax or the gasoline tax. Thus the principal secondary roads, unlike the trunk highways, are financed from property taxes.

In the expenditure of the state aid coming from the one-mill tax the counties are under the supervision of the State Highway

Department. State-aid roads may be established, changed, or abandoned only with the consent of the State Highway Department. The apportionment to any county must be used for the construction and maintenance of state-aid roads, and at least 20 per cent must go for maintenance. The principle of local matching of state funds applies, but in counties of less than five millions in assessed valuation the state may pay up to 80 per cent of the expense of construction and maintenance of state-aid roads, whereas in counties of greater wealth the proportionate local contribution increases until in counties of over fifteen millions in assessed valuation the local contribution must equal the state aid. When the amount needed for maintenance by any county in any year has been set, the county board may use the balance of its state aid from the one-mill levy for new construction on state-aid roads.

County-aid roads.—In 1928 the constitution was amended to require that one-third of the proceeds of the gasoline tax be placed in the state road and bridge fund. The casual reader might assume from this that one-third of the gasoline tax would be used, along with the one-mill levy, for state-aid roads; but such is not the case. New legislation enacted in 1929 set up another class of roads, the so-called county-aid roads, to be aided from the gasoline tax, and provided at some length for the selection, construction, and maintenance of these.

This act makes a notable departure from previous state policy respecting road aid to counties. In the first place the roads to be aided are not the principal secondary roads, already incorporated in the state-aid road system, but roads of distinctly third-rate importance. County roads and town roads only may be selected for the new class. Nearly all the former county roads went into this class. Secondly, and equally important, there is to be no state supervision over the expenditure of this money. The state merely collects and distributes this one-third of the gasoline tax, amounting in total to more than twice the proceeds of the one-mill levy which goes into the state-aid roads. The State Highway Department has no power to control the selection of roads to be aided, or to supervise county expenditures from this fund for either construction or maintenance. This is a serious omission in the law, and is contrary to accepted principles of central aid to local governments. The localities themselves have nothing worth while to lose and much to gain by the introduction of state supervision over the handling of this fund.

Several other comments are perhaps in order. Under this law the whole state is contributing more than twice as much to third-rate local roads as it is to the secondary highways. On its face this is illogical, and calls for change.

Presumably, also, traffic needs are to be considered (1) in the distribution of the gasoline tax fund among the counties, and (2) in the selection of roads to be aided in each county. As yet, however, there has been no adequate traffic survey covering the minor roads of the state.⁴ Consequently the apportionment by the state is a rather haphazard matter, which is made more arbitrary by the statutory limitation that each county, without regard to needs, shall receive at least three-fourths of one per cent of the fund, not one-half of one per cent as provided by the constitution. Within each county, also, other factors than traffic needs must have much influence in the selection of roads to be aided. Furthermore, if traffic needs are the test by which state aid is to be justified it may be questioned whether village and city streets have not as much right to receive aid as minor or local rural roads. Previous arguments for state road aid and state road-building have rested largely on the need of caring for the long-distance or through traffic, while the more local roads, rural and urban, have been left to local support.

Finally, it should be noted that the term "county-aid roads" is a misnomer. It is really the state that is giving the aid, and giving it "without strings." Furthermore, although the law provides for town contributions up to 20 per cent of the expense of construction of town roads when taken over as county-aid roads, this requirement may be and often is waived by the county board. The county, the law implies, actually takes over the road as to both construction and maintenance, so that it becomes part of a new system of county roads.

County roads constituted a separate class of roads up to 1929, but as a result of the intrusion of county-aid roads upon the scene, the mileage of county roads has recently declined and with it the importance of this class. Practically all county roads are now county-aid roads. The construction of such roads is at the expense of the county, and the funds come from the county road and bridge tax on property. The towns, however, are supposed to provide for the maintenance within their limits of county roads which are not

⁴ The cooperative study referred to in the footnote to Table 36 above, although not exhaustive, is, however, very good.

county-aid roads, and to do so from their own road and bridge levies. This division of burden and responsibility harks back to ancient times when road crews were small and could not move quickly from place to place. The main reasons for this arrangement have long since passed away.

Town roads and the old class of county roads are alike in one respect: they are constructed and maintained almost entirely from the proceeds of the general property tax, locally levied and collected. Thus as we run down the list of classes of highways, we find the trunk highways at the top receiving no aid from property taxes, and county and town roads, the most local of rural roads, at the bottom, supported almost entirely from that source. Borrowed funds, also, which are so important at the county and state levels, are of very little importance in the financing of town roads. Thus there is a considerable flexibility in town road financing. Construction and maintenance costs both come very largely from current taxes. When town taxes must be cut, the town road and bridge levy is first to feel the axe. Counties also can cut considerably at this point, but usually have some outstanding highway bonds to be paid.

City and village streets may be divided into various classes from the points of view of purpose, types of traffic carried, width, state of improvement, type of surface, and manner in which financed. The general term "streets" may be used to include alleys, boulevards, and other public ways as well as the ordinary streets. Although long ignored by the states and the national government in the development of road plans and the financing of road construction, they are now receiving more and more attention. Recent federal aid measures have for the first time assigned to them a part of the federal funds, and the trunk highway system, which has always included the main streets in many smaller municipalities, since 1933 has included also certain connecting links of the system running through the cities of the first class.

Figures on the mileages of streets in municipalities are almost completely lacking. When figures are obtained in response to inquiries, it is uncertain whether they include ungraded and unimproved as well as improved streets. In spite of these many defects in the figures, we may estimate that city and village streets amount to about nine thousand miles, or about 7 per cent of the total of all roads in the state. Since incorporated places include about 2 per cent or more of the area of the state and about 62 per cent of the

population, this estimate is probably conservative. It allows only four and a half to five and a half miles of street per square mile of area, or three and a half times as many miles of street per square mile in municipalities as in rural places.

Streets differ from rural roads in many respects. First, they are used for more purposes, such as the carrying of gas, water, and sewer mains, street railways in the larger places, and fire and police signal systems. Second, traffic is much heavier on the average than it is on the rural roads. Third, for these and other reasons, improvements and maintenance are much more expensive. Fourth, there seems to be closer connection between street improvements and land values in cities and villages than in rural districts, and therefore special assessments appear to be justified to some extent in the urban places.

These are reasons, also, why gasoline and motor vehicle taxes probably should not be used to so large an extent on city and village streets as on rural roads. It does not follow, however, that no part of the automobile taxes should be spent on city streets, but rather the contrary.

ROAD CONSTRUCTION AND MAINTENANCE

While there is a general public insistence that town roads be maintained in much better condition than in the past, from the administrative point of view the towns are in the poorest position of all responsible local units to provide for modern road construction and maintenance. Trained, full-time, permanent road engineers are out of the question for them. Their resources do not permit the employment of such officers, nor do the road needs of a single town warrant it. Adequate modern equipment for maintaining the roads is also beyond the resources of most towns, and if every town obtained such equipment there would be gross over-investment in road machinery for the state as a whole, while much of the equipment would stand idle most of the year. Except in the case of a few populous towns adjoining large cities, this inadequacy is almost certain to continue. This fact is recognized by many towns which have voluntarily turned their road work over to the counties.

Counties, on the other hand, have made considerable progress since 1921 toward creating adequate modern highway organizations. Impartial observers speak rather favorably of many of the county highway engineers. On the other hand, political rather than engineering and managerial qualifications have dictated the ap-

pointment of a number of these engineers, and some of them have too little freedom to apply their abilities to the road problem. There is excessive interference by the county commissioners, especially in their own districts. The engineers' salaries are often small, and in some counties the positions are not attractive to really high-payers and road users undoubtedly — though often unwittingly — must pay.

It is a question whether all counties in Minnesota are really large and wealthy enough to support adequate, well-staffed, and well-equipped highway organizations, and also whether their road problems at present are sufficiently large to warrant such organizations. All the figures available seem to point to the fact that, in spite of the small salaries paid, county road departments have higher overhead expense for the amount of work done than does the State Highway Department. This is what we would expect with numerous small organizations doing the work.

Calculations already discussed suggest that for certain other services a county ought to have a population of over 30,000 in order to bring per capita expenses down to a reasonably low level. After the 40,000 mark has been passed, however, the savings possible from increased size are not so appreciable. An examination of county road expenditures for 1929 indicates that these also tend to be higher per capita in the least populous counties and smaller in counties of larger population. This has no reference to the density of population, although per capita road expenses are in general higher where population is less dense. In the seven counties having from 14,000 to 16,000 inhabitants they ranged from \$6.38 to \$11.86 per capita, whereas in the seven having from 23,000 to 26,000 the range was from \$4.71 to \$9.73; and in the five having from 33,000 to 36,000 the range was from \$4.10 to \$7.86. "Normal expenditures" per capita for roads in these three groups of counties were figured at \$8.30, \$5.60, and \$5.37, respectively. The fact that per capita road expenditures seem to increase with per capita assessed valuations somewhat confuses the trend, but still it is very clear that the counties smallest in population are at a distinct disadvantage in maintaining economical road service. The difference between \$8.30 and \$5.60 per capita is \$2.70, or nearly 50 per cent of the lower figure. Thus counties of about 25,000 population have a distinct advantage over those of about 15,000. On the other hand, the apparent saving tapers off beyond this point, so that counties

of about 35,000 inhabitants have only slightly lower per capita expenses for roads than those of 25,000.

Population density is also, of course, a factor in this comparison. Per capita expense is higher, while per mile expense on roads is lower, where the population is sparse. Because of geographical differences, an arbitrary increase in the size of counties to include 35,000 population each would not result in commensurate savings, though some savings could be made. We cannot change geography, but we can change administrative units.

There are, of course, no data pertaining to the relative qualities of road service in various counties. Since, however, counties falling in each of the classes discussed above are found within the same general regions, we may assume that the quality of service rendered, and the local difficulties in rendering it, are not greatly different.

From the administrative point of view, cities and villages of from 5,000 to 10,000 inhabitants and upwards are usually fairly well equipped to handle their street maintenance and construction problems. Those of smaller size, especially at the lower limits of population, are not so equipped, and might in many cases benefit if the county were to do the work for them. This could be arranged on an annual contract basis.

THE FUTURE OF ROAD FINANCE

In the general development of a road-financing policy in Minnesota, cities and villages have in general been ignored by the state. The rural area, towns, and counties have shifted more and more of their burden to the state. The burden of the trunk highways, the state-aid roads, and the county-aid roads have all, in a little over ten years, been lifted more or less completely from the shoulders of the rural property owner. Federal aid, the motor vehicle tax, the gasoline tax, and the state-wide one-mill tax (only a minor part of which is paid by rural residents) now carry a large share of the road burden which once rested on the rural taxpayer.

That the latter has not had more relief as the result of these new sources of road revenue can readily be explained. The road-building fever entered the blood of almost every community about fifteen or twenty years ago. Tax levies for roads, then very small according to present standards, but already increasing, began to rise at an ever more rapid pace. When in 1921 the state took over nearly seven thousand miles of main highways for the trunk high-

way system, it was not a signal for towns and counties to reduce their own road taxes, but rather an invitation to maintain them at the 1920 level. The opportunity had come at last to improve some thousands of miles of secondary and minor roads. Examination of the figures in Table 39 will give us some idea of what happened.

TABLE 39.—TOWN AND COUNTY ROAD AND BRIDGE LEVIES, 1900-30

| YEAR | TOWNS | COUNTIES | TOTAL |
|-----------|-----------|------------|------------|
| 1900..... | \$480,221 | \$277,760 | \$757,981 |
| 1905..... | 909,598 | 524,543 | 1,434,141 |
| 1910..... | 1,414,288 | 1,012,422 | 2,426,710 |
| 1915..... | 3,355,595 | 2,067,512 | 5,423,107 |
| 1920..... | 6,862,560 | 10,843,682 | 17,706,242 |
| 1925..... | 5,753,542 | 9,586,820 | 15,340,362 |
| 1930..... | 6,865,412 | 9,455,305 | 16,320,717 |
| 1934..... | 2,894,226 | 4,034,854 | 7,029,080 |

As long as the rural districts followed the policy of increasing road taxes at the same time that state aid and state expenditure for roads were increasing, no real road tax relief was in sight. It may be argued with some force that rural communities were themselves largely responsible, that the state did not require such large local road levies to match state aid. But the result is the same. Rural road levies were not decreased but were maintained at about the 1920 level down to 1930. Only the depression forced a substantial reduction.

In the meantime the burden on the owners of city or village property, at first largely ignored, began to be felt, and their complaints also were heard. The larger cities first became vocal upon the subject, but the protest has spread to many other cities and villages. The essence of the complaint was and is that, in addition to having to bear almost the whole burden of constructing and maintaining their own streets, taxpayers in cities and villages have to pay most of the county and state road taxes and of the gasoline and motor vehicle taxes, practically no part of which is returned directly to them. Only the relatively unimportant town road taxes are contributed exclusively by the rural taxpayers, whereas virtually all the proceeds of the other taxes mentioned, though raised largely in cities and villages, are spent on the rural roads.

The question whether cities and villages should share directly in gasoline and motor vehicle taxes has evoked a sharp controversy. Municipal officials and others seeking relief for the urban taxpayer plead strongly for sharing; organizations interested in automobile

and highway building stand for state expenditure of automobile taxes on the trunk highway system of the state, although they concede that the trunk routes through cities should be maintained from automobile taxes.⁵ The principal argument against sharing seems to be that automobile owners in cities and villages do not contribute to rural highways out of proportion to their use of them.

This argument seems to include at least two very important errors. The first comes in lumping all cities and villages in one group. It is true that many residents of small villages drive more in the surrounding countryside than they do in their own villages. This is due in part to their outside business connections, in part to the smallness of the villages, and in part to the fact that the highways outside the villages are usually much better maintained and more attractive for pleasure driving. Village streets are notoriously in bad repair. City-dwelling motorists, on the other hand, drive largely on their local streets. At certain months of the year they can hardly drive elsewhere. The advertisement of one gasoline producer states that the average motorist does 80 per cent of his driving within twenty-five miles of his home. This is too broad and easy a generalization, but it is probably true that many persons who live in a large city stay within even a smaller radius for most of their driving.

The second error in the argument from the city-dweller's viewpoint lies in the assumption that he should be asked to create an extensive system of fine paved rural highways when he cannot afford to maintain his local streets in good condition. The local streets, with their very dense traffic, on which he does most of his driving are often not nearly so well paved as rural highways carrying much less traffic. It is true that many city-owned cars are found driving on these highways. It does not follow that rural highways should be built and maintained at a higher level of excellence than the citizens can afford for the city streets.

In short, the case for a sharing of the motor taxes by the larger cities is a strong one. It is stronger than the case for small city and village sharing, although a good argument can be made for that too, on the ground that local streets in cities and villages must lie in disrepair while fine highways are built even through waste places.

⁵ See *City Sharing in Special Motor Taxes* (American Municipal Association Report 38, Report 73 of the United States Conference of Mayors, 1934); and *How Should Cities Share in Special Motor Taxes?* (National Highway Users Conference, Highway Users Series, No. R2, 1935).

The Citizens' Interim Committee on Highway Finance, appointed by the governor in 1933, reported in 1935 its recommendation that as revenues from the gasoline and motor vehicle taxes increase, "consideration should be given" to the distribution of some part of the revenues "to townships, villages, and cities in a just and equitable allotment." This statement recognized the principle that the highway users rather than payers of the property tax should bear the expense of maintaining local streets and roads as well as highways, but the committee did not favor immediate sharing.

When this problem of redistributing automobile taxes between state and local units is approached in a scientific way, several points need to be considered. First, special assessments now levied in many municipalities for street paving are difficult to justify today, and are likely to be greatly reduced in future or even discontinued. At least a partial substitute for this revenue will be needed. Second, where possible, arrangements should be made to have the automobile taxes used to replace special assessments and general property taxes, at least until such time as the property owner has had some of the relief to which most observers think he is entitled.

Third, the several classes of streets, roads, and highways should as far as possible be aided according to the use made of them by motorists. Fourth, other users, such as public utilities, should not be relieved of their proportionate responsibility for support.

Fifth, with state and local units more intimately associated in the sharing of revenues and in the building of roads and streets, the state will need to assume much more responsibility for the planning of the whole highway system and for the supervision of local road work and expenditures. Since 1921 the State Highway Department has devoted almost all its time and energies to the trunk highway system. In the period of development this was necessary, but now conditions are changing. The whole road system of the state needs to come within the purview of the department. As a first step, the department should begin to gather the facts about local rural roads and city and village streets, and to publish the essential data.

CHAPTER XVI

THE TWIN CITY METROPOLITAN AREA

The combined area of Hennepin and Ramsey counties is 726 square miles. This is less than one per cent of the area of the state, but within these two small adjoining counties will be found more than one-third of the state's problem of local government.

This area and a few adjacent suburbs just across county lines contain one-third of the people of the state. Here will be found more than one-third of the assessed valuation of taxable property, more than a third of the local public debts, and far more than a third of the local public employees of the state. Here also are paid more than a third of the local taxes in the state, and here is an accumulation of local public service facilities—streets, schools, water supplies, parks, fire protection equipment, etc.—probably nearly equaling the combined facilities of all other local governments in the state.

This area is, too, one of steadily increasing population. While other parts of the state have on the whole advanced slowly, faltered, or even lost somewhat in population in recent years, this area has shown large increases, although at uneven rates. From 1900 to 1910 the whole state increased in population by 324,314; of this increase 158,261 or 48 per cent went into these two counties. In the decade from 1910 to 1920 this area had a smaller increase, 102,808, which was nevertheless 33 per cent of the state's increase of 311,417. In the past decade, 1920-30, these two counties gained 144,543, or 81 per cent of the state's total increase of 176,828.

The Bureau of the Census has found the tendency toward the building up of metropolitan regions of such importance that it made a special study of such areas in 1930. It found 96 of them in the United States, each having a population of not less than 100,000. These 96 places had a combined population of 54,753,645, or over 44 per cent of the national population. They had a rate of increase in the decade 1920-30 much higher than that of other parts of the country.

In this enumeration the Twin Cities, Minneapolis and St. Paul, were taken as the center or nucleus of one metropolitan region.

According to the uniform definition of such a region, it includes, "in addition to the central city or cities, all adjacent and contiguous civil divisions having a density of not less than 150 inhabitants per square mile, and also, as a rule, those civil divisions of less density that are *directly* contiguous to the central cities, or are entirely or nearly surrounded by minor civil divisions that have the required density."¹ A number of other factors were considered

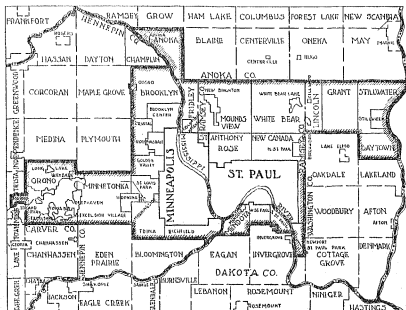


FIGURE 22. — THE MINNEAPOLIS-ST. PAUL METROPOLITAN AREA

also in order to make sure that all places predominantly influenced by the central city or cities should be included and no others. Following this definition the Minneapolis-St. Paul metropolitan region was mapped out as shown in Figure 22.

This area stands thirteenth in the list of metropolitan regions in the United States. The nearest centers that are larger are Chicago and St. Louis to the east and south and San Francisco-Oakland to the west. Fifteen American states have total populations smaller than the population of this Twin City metropolitan region. Of the population in the region about 90 per cent resides

¹ Fifteenth Census of the United States, 1930: Metropolitan Districts, Population and Area, pp. 5-6.

in the two central cities, and 10 per cent in the adjacent cities, villages, and towns.

The exact situation with respect to local governments including school districts in this area is shown in Table 40. We see that

TABLE 40.—NUMBER OF LOCAL GOVERNMENTS AND DISTRIBUTION OF POPULATION IN THE TWIN CITY METROPOLITAN AREA
(Area = 525.37 square miles)

| TYPE OF UNITS | HENNEPIN COUNTY | RAMSEY COUNTY | DAKOTA COUNTY | WASH- INGTON COUNTY | ANOKA COUNTY | TOTAL |
|------------------------|--------------------|------------------|------------------|---------------------------|-----------------|---------|
| | NUMBER | | | | | |
| Cities | 1 | 2 | 2 | 1 | 2 | 8 |
| Villages | 18 | 2 | 2 | 5 | .. | 27 |
| Towns | 5 | 4 | 1 | 4 | 2 | 16 |
| School districts | 44 | 30 | 8 | 22 | 6 | 110 |
| Total | 68 | 38 | 13 | 32 | 10 | 161 |
| | POPULATION | | | | | |
| Cities | 464,356 | 274,206 | 14,472 | 7,173 | 10,464 | 770,671 |
| Villages | 29,540 | 3,415 | 555 | 4,302 | ..... | 37,812 |
| Towns | 8,883 | 9,100 | 948 | 3,481 | 1,363 | 23,775 |
| Total | 502,779 | 286,721 | 15,975 | 14,956 | 11,827 | 833,258 |

in addition to the two central cities there are 5 counties, 6 cities, 27 villages, 16 towns, and 110 school districts concerned with the government of the area. This makes a total of 166 units of government within the region, not to mention a large number just on the boundaries of it which also have some interest in the government and its services. This figure does not include the Sanitary District of Minneapolis and St. Paul. Above all stands the state with its capitol, the state university, and other facilities located in the region, and the national government which also has certain important interests here.

The American people are just beginning frankly to face a problem of metropolitan organization which is old and well known in other countries. London, Berlin, Paris, and other great European centers, as well as several in other parts of the world, have long since had to meet the problem. In fact, some of the older American cities, such as Boston and New York, have also taken important steps toward establishing true metropolitan governments.²

² See *The Government of Metropolitan Areas in the United States*, prepared by Paul Studenski with the assistance of the Committee on Metropolitan Government of the National Municipal League (New York, 1930), 403 pages; also T. H. Reed, *Municipal Government in the United States* (revised edition, New York, 1934), Ch. 22 and 23.

Everywhere the problems seem to be much the same. The central cities have their boundaries fixed by law long before they have reached their full growth. These boundaries are later found to be very difficult to change. With the growth of the cities, population spills over the boundaries into the rural area beyond. This movement is speeded up on the one hand by cheap and rapid transportation facilities and the lure of cheaper housing, lower taxes, and suburban living conditions outside the cities, and on the other hand by the growth of the business center in the city, which steadily pushes outward the vague shifting line within which families no longer can find satisfactory housing facilities.

As the population in various suburban areas becomes sufficiently dense and numerous, the need arises for municipal services; and new municipalities, cities and villages, are incorporated to meet the need. Thus the central city comes to be ringed about by a chain of other incorporated places. These range from very poor to relatively wealthy residential or industrial suburbs. In each there develops some local pride in the municipal government and its services. Local political leaders and workers come to have a vested interest in retaining the independence of the municipality. There develops, in other words, a feeling for local self-government, and strong resistance may usually be expected to any movement for annexation to the central city.

In the Twin Cities region, the presence not far outside the cities of excellent locations for summer homes for the well-to-do led first to the establishment of many suburban dwellings designed mainly for summer occupancy. The Lake Minnetonka and White Bear Lake areas, and others of smaller size but similar advantages, were known for years as places devoted primarily to summer residences. More recently, with improved roads, swifter automobiles, and excellent bus service, many summer homes have been converted into year-around residences, and there has been a considerable exodus of Minneapolis and St. Paul residents to these places. Their businesses and the main sources of their income are still in the cities, but they have transferred their voting residences out of the city limits. They no longer have any responsibility for the municipal affairs of the larger centers. They presumably pay their personal property taxes and the money and credits tax mainly in the places where they now reside, and not in Minneapolis and St. Paul. If the state should ever decide to distribute a part of the income tax back directly to the municipalities in which it is paid, it would

go to these places of residence, and not to the cities in which the income is largely obtained.

By bus and private automobile, by electric and steam lines, there is a tremendous daily movement of people across the city lines. A large part of this daily movement is between the two cities, for many workers live in one city and work in the other, just as many owners of businesses do. Another large part of the movement is into the two central cities in the morning and out again in the evening with smaller movements at the same times in the reverse directions. Again in the evening, as many seek the theaters and other places of amusement, there are other waves in and out and between the two cities, though on a smaller scale. The handling of this great daily movement of people, with its attendant problems of traffic control and law enforcement, is itself no small task. It would be interesting also to know to what extent the central cities provide other services to the many persons who daily come to the city for work or amusement, and to what extent business concerns in the central cities benefit from the trade of the suburban population.

Among the larger metropolitan regions, the Minneapolis-St. Paul area is somewhat distinctive in having at its center two cities of nearly equal size. The San Francisco-Oakland region is similar, but there one city is more than twice as large as the other, and the two are separated by a bay which is now for the first time being bridged. Minneapolis and St. Paul are separated in part only by a surveyor's line, and in part by a river which is bridged at several points. In a number of places signs are needed to inform the traveler that he has passed from the one city into the other.

Although geographically so close together, the cities have from the beginning been distinctly separate communities, with separate business centers and traditions of their own. The spirit of rivalry between them has a long history, and has passed into popular legend and story. At times the two business communities have shown a considerable power of cooperation, but the record of cooperation between the political and governmental entities is not one of which either city can be very proud. One need only cite the squabbles over the census, the disposition of the power at the high dam, the construction of the so-called Ford or Inter-City Bridge, the building of rival cut-off approaches connecting various state highways with the cities, and the problem of sewage disposal, to drive the point home with anyone who has lived in the area during

the past generation. There has no doubt been some gain and stimulation from having two separate cities and business communities in competition, but there has also most certainly been a great deal of friction and strife which benefited no one, and much unnecessary expenditure through duplication of facilities and the failure to plan in common.

There is not today, and for aught we know now there may never be, any crying need for complete consolidation of the two cities. That is a matter which does not need to be discussed. At the same time there are certain problems which need to be faced by the two cities jointly. These are in general problems of a metropolitan nature, on which the cities can look eye to eye, for their real interests are largely the same.

Sewage disposal is one of these questions. In this matter the record shows that, in spite of differences in views, a long step has been taken toward a sound cooperative solution. The Minneapolis-St. Paul Sanitary District has come into existence,³ funds have been loaned and granted by the Public Works Administration, and work has been begun on the intercepting sewers, if not on the central disposal plant. It is not to be thought, however, that all the problems have been solved. Assuming satisfactory completion of the system in a reasonable time, there still remain the problems of finance, administration, and expansion of the plant. Ultimately, also, a considerable number of the suburban places must be brought into the system, so that the entire natural drainage area will be served. This is a matter in which the two cities need to cooperate since it directly concerns both.

In other matters, too, the needs of the whole metropolitan population will not be adequately served until there is coordinated effort throughout the area. Among the items which call for consideration are the following:

1. Police protection. It is absurd to think that in an area so closely knit together, and so small in size, fifty-six separate governments should have police authority. The fact that some of the towns and villages do practically nothing about police simply means that there are spots throughout the area in which the op-

³ See Session Laws, 1933, Ch. 341. The district is governed by a board of trustees consisting of the mayor, or some person appointed by him, one member of the city council chosen by it, one other citizen from each city, chosen by the council, and a seventh member appointed by the governor from some other part of the state. The district has the status of a corporation and extensive powers of providing for sewage disposal works and regulating the use thereof, but is financially dependent upon the two city governments.

portunity for criminal elements to congregate or to hide is very good. The lack of coordination and even of cooperation among police departments has frequently led to the charge that criminals are tolerated in some on condition that they do their work elsewhere. An adequate and fairly uniform police system throughout the area is not out of the question, and would probably not be more expensive than the present arrangements.

2. Fire protection calls for cooperation—which has, in fact, been given—between the two central cities, and some more regular method than now exists for making the city fire-fighting forces available for service in the suburbs. This suggests the need, in turn, for more uniformity in water supply and signal systems, particularly in the suburbs.

3. Water supply. In drawing their water supplies from the Mississippi, the two main cities have to some extent duplicated their plants, though perhaps not seriously. A unified sewage disposal system suggests in the long run a more unified water supply system. At the same time the suburbs, especially those closest to the large cities, need to have their water systems planned for possible future expansion with some regard to the supplies of the large cities. The present many distinct systems, resting in part on contracts with the central cities and in part on separate sources of supply, cannot all in the long run prove sufficient.

4. Health and sanitation in general call for a more uniform organization and policy than now exist in the area. Population is becoming more dense in the suburbs, but in a number of places there is practically no provision for public health work. In view of the large daily movements of population into and out of the central cities, there would be difficulty in checking an epidemic which began anywhere in the area. Adequate health service within the central cities is no guarantee of safety to their inhabitants under present conditions.

5. City planning clearly needs to grow up into regional planning in an area such as that of the Twin Cities. The legislature tried many years ago to give Minneapolis platting and street layout control in a three-mile zone outside its limits, but it is doubtful whether this could now be made effective. The spread of population from the cities into the suburbs makes logical and urgent some scheme for coordinated planning in the laying out of streets and public ways, the platting of lots for sale, the zoning of land for different uses, and the provision of a regional park system. Private

and piecemeal efforts in these directions will not suffice in the long run, however commendable they may be in spirit.⁴

6. Public education, poor relief, and other essential services could also be better provided throughout the area under a more integrated and consistent plan of organization than that which now prevails.

It is perhaps unnecessary to pile up additional illustrations of the great possibilities for improved service which present themselves when one thinks of a better coordination of the local governments in the entire area. Neither are these thoughts mere idle daydreams, for a number of cities in this country and abroad already show the good results of regional organization. The Twin Cities themselves, in organizing the Sanitary District, have begun to yield to the logic of the situation.

When there is discussion of integration in any metropolitan region, there are always those who come forward with pet solutions for the problems of the area. Some would have the central cities annex all the suburbs. Others would unite the city and the county into one government. Some would like to see a federation of municipalities into a sort of super-government, and others again prefer the organization of special metropolitan districts like the Sanitary District for particular purposes. The fact is, however, that there is no single way in which all the problems of a metropolis can be solved. Frequently there must be a combination of various methods, and it may be necessary to go forward one step at a time while the citizens are getting accustomed to the metropolitan idea. The problem now is to present a number of alternatives for consideration, leaving the choice to wait upon further study and discussion. The following ideas are put forward as practical suggestions, worthy, at least, of being weighed.

1. Annexations. Where the built-up area is practically continuous from the central city out through suburbs to the point where rural land uses become predominant, there are cogent arguments in favor of annexations to the point where land uses change. In fact, if the city is still growing, there is reason for including a zone of agricultural land sufficiently wide to provide for predict-

⁴ An unofficial group was organized about ten years ago under the name of the "Metropolitan District Planning Association." It included a few city planning officials as well as a good many other citizens. A map and tentative plan entitled *Why Grow by Accident?* published by it, had considerable influence on public thought and contributed somewhat to the movement for the Sanitary District. A committee on metropolitan planning of the Minnesota State Planning Board, issued late in 1934 a mimeographed report on metropolitan planning and housing problems.

able growth. The need for unified control, with respect to police, fire and water service, sewerage, housing control, zoning, street layout, and other services, is so urgent that practically all persons admit it as a matter of principle.

On this basis, some annexations to Minneapolis and to St. Paul seem highly desirable. This does not mean that the annexations need to cover the entire metropolitan region as defined by the Bureau of the Census. They should rather go to the point to which the majority of the important city services can be extended effectively and economically.

When annexations are suggested, difficulties at once arise. The legislative policy of this and other American states is to permit local control in the determination of local boundaries. No central authority decides what would be logical areas for local administration. Villages have been organized in this state by local petitions and votes for no other ascertainable reason than to get the right to license saloons in an otherwise dry township. With respect to annexations, this policy, enacted into law, leaves the question of annexation entirely to the area to be annexed.⁵ Not the larger but the smaller interest controls. The annexation movement must begin, therefore, in the suburb, and the particular advantages to the suburb must be very evident before the matter will be seriously discussed. If it is heavily in debt, or strongly desires certain services which, because of the local situation, will be excessively expensive if it must provide them alone, action looking toward annexation may be begun by voters in the suburb. A petition is usually required, and then usually a five-eighths vote at a local election. If these obstacles are surmounted, the matter goes to the governing body of the central city. If this body is interested, negotiations take place with regard to debts and property, and if these are successful the annexation can take place.

In about this way, a large part of the old village of Richfield was annexed to Minneapolis a few years ago. Similar movements for annexation to Minneapolis in Robbinsdale and Columbia Heights met with local defeat. In Columbia Heights the local debt situation was such that it is doubtful whether the Minneapolis council would have been interested in the annexation. In this case

⁵ For a summary of the law on annexations and boundary changes in local governments as it stood about eight years ago see two articles by I. M. Labovitz, "The Incorporation of Territory in Minnesota Cities and Villages," *Minnesota Municipalities*, 12:600-65 (1927), and "Boundary Changes in Minnesota Cities and Villages," *ibid.*, 13:8-19 (1928).

the fact that Columbia Heights was across the county line, in Anoka County, also presented some difficulty.

From a purely financial point of view, the central cities have something to lose through annexations at the present time. Having graded and improved most of their own streets, and having established most other services for their present areas, they would be put to extra expense by any annexation of territory which required extension of services. Unless the suburb to be annexed has a relatively high taxable valuation and a low debt, the central city would be the loser, at least temporarily, whereas the suburb would in most cases probably be the gainer. On the other hand, the metropolitan population as a whole would gain something in the quality and effectiveness of services, whereas the suburbs annexed would exchange their political independence for a right of participation in the affairs of the larger city.

When agricultural land is included in an annexation to a city, it should not, of course, be subjected to regular city taxes, since it does not obtain the full benefits of municipal services. Unplatted or agricultural land already has some preference over platted land under the state law with respect to taxation, but this could probably be increased by law for agricultural land situated in cities.

2. City-county consolidation. Over 60 per cent of the metropolitan population resides in Hennepin County, and another 34 per cent in Ramsey County. Just over 5 per cent of the people reside in the three adjacent counties, Anoka, Dakota, and Washington. Of the 93,696 persons in the metropolitan district who reside outside the two central cities, over half reside in the two major counties. Fridley and Columbia Heights just outside Minneapolis in Anoka County, and South St. Paul, West St. Paul, Mendota, Newport, and St. Paul Park just outside St. Paul in Dakota and Washington counties are the only municipalities of immediate concern to the two central cities that lie outside the two principal counties.

In view of these facts it may be argued that a consolidation of the city and county governments in Minneapolis and Hennepin County and in St. Paul and Ramsey County would be a long step toward solving the problem of metropolitan organization. City-county consolidation usually means a fusion of the two organizations to such an extent that there is but one government. Thus in Great Britain what is known as a county-borough is a large city (borough) which has the powers of both a city and a county, and

has but a single government for all purposes, instead of two separate governments for city and county. In this country there are a number of cases of partial consolidation, which have usually been prevented from being complete consolidations by some provisions of the state constitution; but in Virginia every one of the 24 cities of the first class is legally separate from the surrounding county and has the powers of a county itself.

A provision of the original Minnesota constitution reads that "The legislature may organize any city into a separate county, when it has attained a population of 20,000 inhabitants, without reference to geographical extent, when a majority of the electors of the county in which such city may be situated, voting thereon, shall be in favor of a separate organization."⁶ This provision was inserted partly to exempt cities which became separate counties from the requirement that counties must have at least four hundred square miles of area, and partly to permit the consolidation of city and county governments. It is still printed as a part of the constitution, but it has never been acted upon by the legislature, and is probably in large part inoperative today. In so far as it seems to provide for a special law in each such case, it probably would not be effective today, since special legislation in such matters is now expressly forbidden. On the other hand, if the legislature passes a general law on the subject of city-county consolidation, it need not refer to this section or be bound by its limitations. It has ample powers to enact general laws on both city and county affairs irrespective of this provision.

But suppose a general law were enacted to provide for city-county consolidation in such cases as that of St. Paul and Ramsey County and that of Minneapolis and Hennepin County. What problems would be solved thereby? A short look at the present situation may help to give the answer. Table 41 presents some of the basic facts.

Practically 95 per cent of the population of Ramsey County already resides in St. Paul, and over 95 per cent of the assessed valuation also is in the city. A certain amount of consolidation of activities has already taken place, as in the joint ownership of the city hall and courthouse, in welfare work, and in the maintenance of a county assessor whose main work is in the city but who has some power of supervision over the assessors in the outlying towns and incorporated places.

⁶ Constitution of Minnesota, Article XI, Section 2.

TABLE 41. — AREA, POPULATION, AND ASSESSED VALUATION OF HENNEPIN AND RAMSEY COUNTIES AND THEIR SUBDIVISIONS

| | AREA IN SQUARE MILES | POPULA- TION IN 1930 | ASSESSED VALUATION OF REAL AND PERSONAL PROPERTY IN 1933-34 |
|------------------------------|----------------------------|----------------------------|--|
| Hennepin County | 505 | 517,785 | \$843,138,159 |
| Minneapolis | 55 | 464,356 | 316,361,702 |
| Inner circle of suburbs..... | 64 | 19,647 | 8,581,542 |
| Outer part of county..... | 446 | 33,782 | 18,194,915 |
| Ramsey County | 161 | 286,721 | 169,925,902 |
| St. Paul | 52 | 271,606 | 163,571,058 |
| Other local units..... | 109 | 15,115 | 6,354,844 |

To set up St. Paul as a separate county with its present city boundaries would cut off an area of only 109 square miles and a population of just over 15,000. This would obviously be too small for a separate county, and would have to be annexed to adjoining counties like Anoka and Washington. Such a change would do nothing toward metropolitan integration, but rather the reverse. On the other hand, merely to annex the rural areas to the city would give the city an excessive area of agricultural land, and would do nothing to bring in the more urban settlements like South St. Paul in adjoining counties.

There is a workable alternative to both these suggestions, and it is one which would accomplish some integration. A charter or optional state law might be provided for city-county consolidation under terms somewhat as follows: The members of the St. Paul city council of seven might be made ex officio members representing the city on the county board. To this group could be added one or two members elected as county board members from the rural portion. This would give a county board of eight or nine. The law should then list separately the functions of the city (water supply, city streets, sewerage, street lighting, etc.) which should be a charge only upon the city taxpayers, and the functions of the county (police protection, property assessment, health, relief and welfare work, registration of deeds and titles, rural roads, etc.) which would be proper county charges.⁷ It would be necessary for the law to provide also for the consolidation of the police department and the sheriff's department into one, for the county treasurer to serve also

⁷ Villages and small cities, such as White Bear Lake in the rural part of the county, would have their own tax levies for city purposes.

as city treasurer, for the city comptroller to serve also as county auditor. Provision would also be made by law for the establishment of county-wide health and welfare departments and for other consolidations, in order that there should be no duplicating departments. These would then be county-wide departments under control of the county board, and it should be provided that they would be under such control. The city departments, such as water supply, street lighting, etc., would be under the city council of seven, which would meet separately for city purposes. In making the annual tax rate, the city council would make its own for city purposes, and the county board would make one for county purposes. In this way no taxpayer outside the city would be paying for any strictly city function, but both city and outside taxpayers would be paying for the county-wide services. The overlapping membership of city council and county board would make possible integrated financial planning and management.

The problem for Minneapolis and Hennepin County is somewhat different. In this case, to make Minneapolis a separate county with its present city area would be somewhat unfortunate. It would result in less integration than now exists, and would make more difficult the natural expansion of the city to include the suburbs. Such separation has been urged by some Minneapolis taxpayers as a means of saving money now being raised by taxes in the city and spent upon the rural roads in the county; but it would result in less rather than more control by the city over its immediate surroundings. On the other hand the area of more than five hundred square miles cut off in this way from the city would have a population of over fifty thousand, and would be adequate to provide a respectable county government although it would lack any natural population center.

As an alternative to this, the city and the inner circle of suburbs in the county (Richfield, Edina, Morningside, St. Louis Park, Robbinsdale, Brooklyn Center, and the Town of St. Anthony) might be set up as a single city-county, with one consolidated government for city and county purposes, separate from the rest of Hennepin County. This would leave an outer county of 446 square miles area and over 33,000 population, also sufficient for a separate county government. It would, however, further disintegrate the metropolitan center by creating another county within it, and it would deprive Minneapolis voters of their present power of control over Hennepin County policies. For many residents of the city who have

interests both in the city and in such areas as the Lake Minnetonka district, this would not be a gain.

Another possibility is similar to that suggested above for St. Paul and Ramsey County. If Minneapolis had a small city council, and the members served also as members of the county board, along with one or two from the outlying portion of the county, and if consolidated city-county departments were set up under the county board for all functions calling for county-wide administration, a satisfactory amount of consolidation might be achieved. Again in this case it would be necessary to provide by law for distinct lists of city and county functions, so that no taxpayer outside the city would be made to pay for any service wholly within the city and under the city council's control. This could be done without any great difficulty.

The partial consolidation of St. Paul and Ramsey County, and of Minneapolis and Hennepin County, in the manner set forth above would be important steps toward a more integrated control over the metropolitan area. If accompanied by some annexations of suburbs in adjacent counties to the central cities, it would be still more effective. But these proposals do not exhaust the possibilities.

3. Without substantial change in existing organizations, the two county boards in question as now constituted, with a majority of their members chosen in each case from the central city concerned, could be given increased power by law over land platting, street layout, parks and boulevards, and other matters outside the central city in order to bring about a greater uniformity in planning. Provision could also be made by law for the county board, or for joint committees of the city council and county board, to take over health and welfare functions, to arrange for consolidation of city and county offices and departments, and to do other things that would simplify and integrate the work of the now separate city and county governments. If these separate corporations can now maintain joint city hall and courthouse buildings, and engage in other joint activities, there is no reason why this principle could not be extended to other desirable consolidations of services.

4. There is also the possibility that the present Sanitary District, as its work of constructing the sewerage system and the sewage disposal plant draws to a conclusion, may be in a position to assume additional functions such as a joint water supply system for the region, or the establishment of a truly metropolitan

park system, or other services. The device of a metropolitan district authority is one which has many possibilities. It is assumed, of course, that as time goes on the various suburbs will be drawn into the system in one way or another. As they will benefit from the services, so they should participate according to their abilities and benefits in the control of the district and in the financing of its services.

In the meantime it may be suggested that an officially established metropolitan planning commission could do a great deal of constructive research and educational work for the Twin Cities region in the years just ahead. Such a commission should represent not only the two central cities but also the suburbs and the five counties concerned. It should include not only men interested in the physical layout of the area but also men concerned with social, economic, and governmental problems. It would need no powers except such as may be required to make a full study and report upon the situation, but to this end it would need a small appropriation each year for a short period of time. A comprehensive study by such a commission must precede any rational solution of the metropolitan problems of the Twin Cities.

CHAPTER XVII

THE OUTLOOK FOR LOCAL GOVERNMENT

A distinguished French historian published in 1913 and again in early 1914 his prediction that there would be no war between France and Germany. Looking back upon this indiscretion in later years he remarked that historians may be able to tell with some accuracy what has happened but had better avoid trying to forecast the future. Similarly the student of government may be able to describe what he has seen of the organization and operations of government, and can point out some of the effects of past and present institutions. He may also be able to say that if a government is organized or operates thus and so, such and such results may be expected.

Two things more he is expected to do but cannot do. One is to predict what the government is going to be and to do ten years or a generation hence. He may see certain lines of development at present, but he simply cannot foresee what new forces will arise to divert the course of social development out of old and into new channels, although he can be almost certain that there will be such deflections. The other is to tell what ought to be done five, ten, or more years hence. He may hold firmly to his own ideals, but he cannot be sure that they are always and everywhere right, nor can he know what ought to be done in a future shut off from him by a thick veil of time and under circumstances he is unable to know. There are certain things which, in the judgment of the writer, urgently need to be done to improve and strengthen local government in Minnesota, but no one can see all the factors in any given situation, nor can anyone be sure that he has weighed accurately the worth of a given institution.

In this final chapter, then, we may deal only with probabilities, not certainties, and with what seems to be desirable rather than with what is unquestionably right. The outlines here presented of a plan for the reorganization of local government in Minnesota must be understood to be flexible and subject to change, and to be a plan not for immediate and wholesale adoption but for piecemeal application over a period of many years. Every change

necessitates, as a rule, new adjustments in unexpected places; plans must be constantly remade, therefore, to fit new circumstances. If a generation hence some of the thoughts expressed in this volume have borne good fruits, the book will not have been in vain. If other views here expressed are found to have been erroneous, it will not be surprising. With these cautions in mind, a brief sketch may be given of what an improved system of local government for Minnesota would be.

UNITS AND AREAS

There is no need to abolish any whole class of local units, not even the much-condemned towns and school districts. The number of counties might profitably be reduced through the combination of the smallest and weakest ones with their neighbors. In the meantime the smallest counties, say those of under 10,000 population, might be authorized by law to reduce the number of elective officers and to eliminate the county board by having the auditor, register of deeds, and county attorney serve as an *ex officio* county board.

The number of cities and villages cannot be much reduced, except through the dissolution of small and inactive ones. It is probably unwise, however, to continue to incorporate as villages places with as few as one hundred inhabitants. Twice to three times this population would be a better minimum.

In the less populous northern counties, towns might be abolished, as in Lake of the Woods, and all the town services be delegated to the county. This would tend to increase slightly the importance and resources of the county as a unit.

Among school districts the need is for consolidation into units large enough to provide complete schooling through the twelve grades. If an eight-year elementary and four-year high school plan is used, the size may have to be larger than if a six-and-six plan of organization is used.

There will be readers who will be surprised that the author does not advocate immediate and wholesale abolition of towns and common school districts. As far as towns are concerned it seems that, although for administrative reasons some of their more important functions should in time be transferred to other units, they may still have useful functions to perform in the political life of the people, and as centers for the formation and expression of public opinion on questions of local concern. The common school

districts, although too small for good school service, should be eliminated only gradually, as the people are shown the advantages of more populous and wealthier units. Much local study of school areas is still needed.

LEGAL STATUS

The legal subordination of local governments to the state it is not feasible or desirable to change. In the constitutional provision for municipal home rule, cities and villages have an important legal protection against some forms of legislative interference, and an important power to decide local questions locally. This provision needs simplification and strengthening, and probably all places of over 2,500 population and none smaller should be placed upon a home rule basis. Constitutional home rule for counties is not urgently needed, but it may be desirable for the two most populous counties in order that they may consolidate city and county governments.

The continuous flaunting by legislators of their disregard for the constitutional prohibition against special legislation is leading local governments slowly back into the old morass of special local privileges and special burdens. A large part of the special legislation now being enacted is not in the public interest, and much of it would be held unconstitutional if contested in the courts. The remedy lies squarely in the hands of the legislators.

If the legislature were to set its face against all bills for legislation of this type, more general legislation would be needed. When special laws are passed, the legislature decides local questions for local units that are in many cases a hundred or more miles away. When general laws are enacted, these local questions must be left to be decided in the locality, where they should be decided. Local governments may make mistakes, it is true, but they cannot develop a true sense of stewardship and gain much-needed experience unless more power and responsibility devolve upon them. This is true especially of the counties, where the boards of commissioners are unable under present conditions of constant legislative interference with county affairs to rise to the levels of good representative government which they should be able to attain.

The corporate status of local units in Minnesota has been sufficiently well established, but corporate liability for torts is in some confusion. For many wrongs done him by local authorities, the innocent but injured person has no certain remedy in the laws.

Some city attorneys report with pride how many claims against the city they have kept the city from having to pay. While it is necessary to prevent false and unfounded claims from being paid, it is equally important that every honest and just claim should be paid. If legal technicalities, and immunities of an arbitrary nature, stand in the way, they should be removed.

GOVERNMENTAL ORGANIZATION

If our discussion of constitutional provisions in Chapters 4 and 5 is sound, the legislature has ample power to make essential reorganizations in local government without constitutional amendment. It does not have equal power, however, to make changes relating to justices of the peace, probate judges, clerks of the district court, and judicial offices created by statute, such as municipal judges. If the legislature desires to require that any of these be learned in the law, constitutional amendments may be required.

Town organization seems to be somewhat too elaborate for the limited functions now performed, and hereafter to be performed, by the towns. Since the expense involved is very small, however, and support comes entirely from the local taxpayers, there is no pressing need for change. The same comments apply in a general way to the smaller villages.

For the larger villages and for cities a movement in the direction of a simplified, responsible form of government is indicated. The plan under which the voters elect a representative but small council, and this body appoints a business manager who is held responsible for the administration, is the plan that has the strongest theoretical arguments in its favor and that is bringing the best results in practice. Among Minnesota cities, Albert Lea seems to have had the best success with it, but there are numerous examples of success in other states.

County government presents the most difficult problems of organization. The excessive use of the method of popular election for filling the county offices, and the division of responsibility between the county board and the other county officers, lead to very obvious difficulties at present. The remedies are not so clearly indicated as in other cases.

1. In other parts of the country, the so-called "county manager plan" is having considerable vogue and some initial success. Under this plan the county board is made responsible for as much as possible of the county's work, and is required to appoint a competent

business manager who is to have charge of the county administration under the board. His position is like that of a city manager or an appointed superintendent of schools. Naturally the number of elected county officers is considerably reduced under this plan.

2. An elected chief executive officer for the county is not outside the range of possibilities. In Minnesota the county auditor stands out, as a rule, as an officer of considerable ability, whose office could be developed into that of a chief business manager. If some powers of the type vested in the comptroller of St. Paul over the budget and the personnel of the city, and certain additional power over purchasing and other business matters, were conferred upon the county auditor, he might be able to give considerable unity of direction to county affairs. It is not suggested that he should actually operate departments, such as that of highways. The county board would have broad powers in such matters, and would be responsible for administrative results.

3. Should the county become the unit for education, and also the unit for health and welfare work, it is likely that during a trial period there would be a county board of education and a county welfare board, in addition to the regular county board. This would be a complex and poorly coordinated arrangement unless there were some central board or officer to correlate functions and business management. Given adequate powers, the county auditor might be the coordinating authority.

4. Another possible alternative is to make the county board the real governing body of the county, to give it alone full power to appoint and control the work of the various county officers, and to assure by law that the latter would be appointed for fitness and that they would be protected against removals for political reasons. This would be something like the English plan of county government.

Although we should avoid making a fetish of any particular form of governmental organization, the form is of great importance. Minnesota has been inordinately conservative in its retention of old forms, especially in rural government.

LOCAL GOVERNMENT PERSONNEL

Men both in and out of office recognize the need for raising present standards of training and selection of persons for public service in government positions. In Minnesota, towns, counties, villages, and the smaller cities have done very little in a formal way

to assure themselves of getting the best available employees, while training is a thing seldom heard of, either before or after appointment. The time seems to have come for a direct and vigorous attack upon this weakness in our local governmental system.

Several lines of approach present themselves. One is to extend the practice of certification now applied to teachers to other employees in local service such as librarians, social workers, and public health nurses. Since the state is itself supporting a university for training persons for these and other types of positions, it would be justified in specifying minimum training requirements for these groups.

Another advance could be made through the creation of a state civil service commission which could serve the local governments, especially the counties, in the preparation, administration, and grading of examinations for candidates for local positions. In the larger centers such as Minneapolis and St. Paul, existing civil service commissions might be reorganized to serve both the city and the county.

Training schools, institutes, and short courses for persons already in public employment could be organized and operated by the state directly or by the University, in conjunction with organizations of local governments such as the League of Minnesota Municipalities. A school for firemen already exists; one for policemen is proposed; and others are possible.

Improvements in training and recruiting practices should be accompanied by improvements in the tenure conditions, compensation, and retirement provisions for employees, and by a building up of the professional standards and effectiveness of public servants.

LOCAL FINANCES

Revenues.—While for a long time the state tended to monopolize the new sources of revenue that appeared, the more recent tendency is to give local government needs more consideration. The distribution of the income tax receipts for local educational purposes and the proposal to exclude the state from the taxation of property for state revenue purposes are moves in this direction. Both of these measures can also be made to result in partial relief to the owner of real property, but part of this gain will be canceled by the loss from personal property sources resulting from the exemption of household goods and farm machinery.

Present attempts to limit local tax levies by mill-rate limitations are clearly undesirable, although they are in the main ineffective. In so far as they tend to increase borrowing for local purposes, their long-run effect is bad. It is better to require local units to balance their budgets by levying the taxes that are needed than to encourage them to postpone taxes. If statutory limits are to be imposed they should be on expenditures, not on tax levies, and would be more effective if put upon the per capita basis. They might better be in round figures, also, for all local purposes, than be specified as so many dollars or mills for this and so many for that purpose. These special limitations are constantly evaded in many local units by transfers of funds.

Even if the state retires from the direct taxation of property for its general revenue purposes, there will still be need for better assessment of property. Either a county assessor system or a plan for district supervisors of assessments to keep close tab on the work done locally is indicated.

Property tax delinquency will probably decline after the people come to understand that bargain tax settlement laws have been held unconstitutional. While the legislature might find other ways of relieving the delinquents, it is to be hoped that it will instead devise laws to encourage tax payment.

Local units might well give up all claims to lands which have reverted to the state through tax delinquency, in order to give the state a clear title and thus enable it to go ahead on reforestation and conservation projects. It was the original plan to include a chapter of discussion of this problem, especially as it affects local government in the northern counties. This subject has been so fully covered in two recent publications of the University of Minnesota Press,¹ that we merely mention it here.

Expenditures.—In the long run the best way to keep local taxes within bounds is to hold down expenditures. This in turn can be achieved only by constant attention of citizens' organizations to local budget making and borrowing, and by the use of modern methods of financial control. Among the latter, prominence should be given to an adequate budget procedure, including public hearings, centralized purchasing, proper accounting methods, lucid fiscal reports, and impartial audits by outside agencies. The control

¹ *Land Utilization in Minnesota: A State Program for the Cut-Over Lands*, Ch. 12, and Jesness and Nowell, *A Program for Land Use in Northern Minnesota*, Ch. 8.

of borrowing requires that capital investments be planned over a period of years and that bond retirement funds be replenished regularly.

There is today no adequate state legislation covering most of these matters. There is no state agency with the authority or resources needed for effective supervision of local expenditures. Also there is lack of integration in the localities, where several layers of local units have independent powers of incurring debts and expending public funds. Some county agency including the county auditor could perform excellent service in the localities, but in addition some state agency is needed in this field, preferably one attached to the State Tax Commission and responsible for the annual audit of local accounts.

Indebtedness has already been touched upon above. Clearly, the existing debt limit laws have failed to prevent an unprecedented rise of local debts in the postwar period, and little is being done in a constructive way to cut down the total burden of local debts. The state has been compelled to assume certain classes of local debts to prevent local insolvencies, and is likely to have additional demands made upon it for local debt relief.

The most burdensome of all local debts are those which must be paid out of property taxes, including special assessments. Those which can be paid, and are paid, from utility earnings (water, electricity, gas, etc.), from gasoline taxes, and from the income tax (a part of the school debts), are not so objectionable, although these debts also need to be kept within bounds.

Debts payable mainly from property taxes should be limited by law in such a way that the total local debt in any area (county, school district, and town, village, or city) should be considered as one consolidated debt burden, and this total be limited to a fixed percentage (7 to 10) of the full value of real property locally taxable. The present law, which includes money and credits in the base, is logically indefensible, and has made possible excessive borrowing in some areas.

To make effective an inclusive limitation of all local debts, some county-wide agency representing all classes of local units is needed. On such a body some unofficial citizen representation should be provided. This body would be advisory only in most counties, but in places where local debts and tax delinquency are above certain reasonable limits, might have some powers of suspensive veto, at least, over new bond issues. For the counties themselves, and the

larger municipalities, these functions might well be performed by the State Tax Commission through the division of local finance suggested above.

State aid is already an important factor in local finance, and will become increasingly important. The school aid laws as recently revised give promise of much better results than in the past in the matter of equalizing educational opportunities. The highway aid provisions have been the result of political pressures rather than of impartial study, and they result in distributing aid according to certain arbitrary rules rather than according to need. A careful study of this matter is sorely needed.

The state gives today inadequate attention to local services other than schools and roads. Health, police, and courts, for example, are services of state-wide importance. State aid for county health units, for local police systems, and for the complete support of the district courts would not be unreasonable.

But aid should not be given without adequate state supervision to determine whether the money is being wisely and properly spent. Up to the present the proper state departments, as in education, have not received adequate funds and powers for this purpose.

STATE SUPERVISION OF LOCAL GOVERNMENT

The responsibility of the state for good administration in the local units has been stressed repeatedly. Many defects in local government, and in fact many wasteful local expenditures, are the result of requirements in the state laws. Local officers hesitate to do what is wise when they find that it is illegal.

The first responsibility is, then, upon the legislature, and upon all the individual legislators. Many of the latter unfortunately look upon themselves as primarily representatives of their local communities. In no other way can the great quantity of local legislation be explained.

Legislators in many cases lack a knowledge of local government in other parts of the state, and many are also not versed in the modern science of public administration. A single local experience improperly interpreted frequently outweighs in their minds the advice of experts with knowledge of conditions throughout the country. This implies no criticism of any legislator as an individual or of any group of legislators. The truth is that any body of representative citizens chosen as our legislators are would show the

same general characteristics. The hurly-burly of the short and busy session prevents the members from becoming adequately informed on local governmental problems even when they have the best of will to do so.

To remedy this situation it would be well to have in the state capitol a legislative reference service and a bill-drafting agency, to provide up-to-date, unbiased information and to assist in the formulation of bills. For city and village affairs the facilities of the Municipal Reference Bureau at the University might also be more extensively used. In addition to these, in financial matters the suggested Division of Local Finance in the State Tax Commission could be of great assistance. A simple legislative rule, in either house, that no bill affecting local finances would be acted upon until it had been referred to and studied by such an agency would be a long first step toward better financial legislation.

Aside from such an agency, there are the state departments of education, health, and highways, the Board of Control, the Bureau of Criminal Apprehension, and other state authorities, which should be consulted more by the legislators on measures affecting local government and have their powers and responsibilities extended to include more supervisory authority over local units. This need not come all at once, but a little at a time, here and there, while the process of linking state and local administrations goes forward slowly and naturally.

The powers extended should be mainly those of supervision rather than of control. The responsibility for local decisions should be kept a local one as far as possible, but it should be a responsibility to the state as well as to the local voters. Local officers and employees cannot escape the fact that they have a dual capacity and a dual responsibility. They are legally responsible to the state at the same time that they are politically responsible to the local voters. The state has only one way of knowing how local administration is progressing, and that is through the studies of supervising agencies.

LOCAL SERVICES AND CENTRALIZATION

The writer makes no plea either for or against further expansions in local services. As the times seem to call for more and more social control, additions to the present range of functions are perhaps inevitable. If this is so, then the utmost care should be taken to require good administrative standards from the beginning.

While new services are established from time to time in local governments, others tend to be drawn away from them and to be centralized in the state. Thus we note that the state has recently assumed direct responsibilities with respect to poor relief, police protection, and highways. This centralizing tendency is perhaps in part inevitable, but much of it is undoubtedly due to the ineffectiveness of the local units and to their inability to support the standard of service required by the people. Local public officials who fail to see this, and who insist upon retaining weak and inefficient local units in the face of state centralization, may find the ground cut out from under them.

THE PRESERVATION OF LOCAL SELF-GOVERNMENT

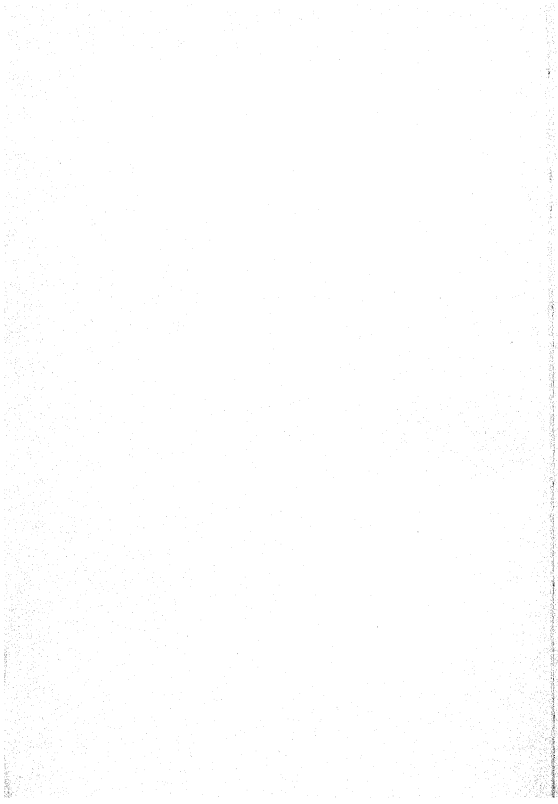
This work, which began on a note of local self-government, seems to end on a note of more state aid, more state supervision, and more centralization of functions in the state. As a suggestion of trends this is probably an accurate one, and it is easy to believe that what has happened was inevitable, and that the inevitable cannot be wholly wrong. But we do not wish either to defend or denounce centralization as a principle.

The simple fact is that the American people have desired two things which seem to be incompatible. One is complete local self-government in a system of small units coming down from earlier days; the other is a standard of services higher than ever before and a distribution of expenses over wide areas, so that no local area, especially not a poor one, will be unduly burdened. The local areas and institutions that we have inherited have shown themselves to be very poorly adapted to the rendering of the desired services, and they were entirely too small to give the desired spreading of the tax burden.

Unwillingness to reconstruct the local governmental system, and inability to adapt our thinking to the needs of the present day, are doing much to undermine the old system of local self-government. But a new system and a new philosophy of local self-rule are entirely possible, and are indeed upon the way. With enlarged local areas, more integrated and responsible forms of local organization, and better-trained staffs of full-time, paid local servants, a new type of local self-government is coming into existence. Political resistance, stronger in the rural areas than in the cities, is causing some delay, but the main outlines of the new system are already visible. With competence restored to the local units through en-

largement, reorganization, and improved personnel, the rush of functions up to state and national capitals will be checked, and the enlarged local units, because of their increased ability and effectiveness, will not require constant supervision from the center. The price to be paid for the restoration of local self-government is the improvement of the system of local rule. The price is not a large one, but both the legislature and the local voters need to make up their minds to pay it.

APPENDIXES



APPENDIXES

I. AREAS THAT ARE NOT UNITS OF LOCAL GOVERNMENT

Our description of the system of local government will not be complete without a mention, at least, of certain areas which are used for judicial, administrative, and election purposes, but which do not have organs or powers of self-government. The following table gives some idea of the variety and number of these areas.

A. ELECTION AREAS OTHER THAN THE WHOLE STATE

| TITLE | PURPOSE | NUMBER | COMMENT |
|---|---|--|---|
| Congressional districts | To elect representatives to Congress | 9 | Except in Hennepin County, the boundaries of these districts do not usually cut across county lines. |
| State senatorial districts | To elect one state senator each | 67 | County lines are usually respected, but Hennepin, Ramsey, St. Louis, and Stearns are divided to form more than one each. |
| State legislative districts | To elect one or more state representatives each | 67, but of these 29 are divided into two, 5 into three, and 1 into four sub-districts. | These follow the lines of the senatorial districts in Minneapolis, St. Paul, and Duluth, but in the rural areas the senatorial districts are usually divided into two or three sub-districts, each to elect one representative. |
| County commissioner districts | To elect one county commissioner each (except in Ramsey) | 434 total, i. e., 5 in each county except St. Louis (7) and Ramsey (2). | Town and village lines, and ward lines in cities, are usually followed in making these districts. See Laws, 1931, Ch. 105. |
| City and village wards | To elect council members in certain cities and trustees in certain large villages | Number not known; not found in many cities nor in the great majority of villages. | |
| Election districts ("voting precincts") | To provide a wieldy voting precinct, within easy reach of every voter | 3,725 | "Each town, each village that is separated from the town for election purposes, and each city ward shall constitute at least one election district." The ideal size fixed by law is not over 400 voters. Mason, Sec. 258. |

B. AREAS FOR JUDICIAL ELECTIONS AND JUDICIAL ADMINISTRATION *

| TITLE | PURPOSE | NUMBER | COMMENT |
|--------------------------|---|--------|--|
| State judicial districts | To elect district judges, and to define the ordinary territorial limits of the judges' jurisdiction | 19 | These follow county lines, and two districts are each confined to one county—Ramsey and Hennepin. Others include from 2 to 10 counties each. |

* Probate judges, clerks of district court, etc., are elected in and for each county. Municipal judges are elected in many cities and in the larger villages, while justices of the peace are elected in towns, most villages, and the smaller cities. The jurisdiction of municipal judges extends over the whole county, however, and that of the justices extends over the whole county exclusive of any city or village in which a municipal court exists.

| TITLE | PURPOSE | NUMBER | COMMENT |
|-------|---------|--------|---------|
|-------|---------|--------|---------|

C. AREAS FOR LOCAL IMPROVEMENTS AND SPECIAL ASSESSMENTS

| | | | |
|--|---|---|--|
| Drainage districts (judicial) | To drain areas in one or more counties and to spread the assessments therefor | Unknown | Judicial and county drainage ditch districts cut across all other boundaries in the attempt to drain certain areas and to spread the assessments over the benefited land. These districts have no continuing organization. The collection of assessments, the payment of the bonds, the maintenance of the ditches, etc., fall upon the county or counties concerned.* |
| Drainage districts (county) | To drain areas within the county, and to spread the assessments therefor | Unknown | |
| Drainage districts (town) | To drain areas within the town, and to spread the assessments therefor | Unknown | |
| Special assessment districts (cities and villages) | To spread over the benefited property the assessments required to pay for the improvement | Unknown. Mainly in cities and villages. | These districts are temporary, and several of them for different purposes may include any particular piece of land, i. e., a paving assessment district, a park assessment district, etc. The city or village concerned receives the assessments paid, pays for the improvement, supervises the work, and maintains it thereafter. |
| Sprinkling districts (cities of second class) | | Unknown | A special form of special assessment district. Mason, Secs. 1653, 1664-5. |
| Park districts (in villages in Hennepin County) | | Unknown | "General taxes" for parks are to be levied in each, but in areas so small that these are nearly the same as special assessments. Mason, Sec. 1260-1. |

* The laws provide at great length for "drainage and conservancy districts" and for "drainage and flood control districts" (Mason's Minnesota Statutes, Sections 6798-6840 B, 6879-6912). We are reliably informed that no such districts exist in the state. If they did, they would be of a higher status than the special assessment areas mentioned just above.

D. AREAS FOR THE ADMINISTRATION OF SERVICES PROVIDED BY LARGER UNITS

| TITLE | PURPOSE | NUMBER | COMMENT |
|------------------------------|---------------------------|-----------------------------|---|
| Road districts (in towns) | To maintain town roads | Not over four to a town. | It appears that most towns are not divided into road districts. Each district is supposed to have a road supervisor, who is appoint- ed by and responsible to the town board. |

II. LOCAL BOARDS THAT ARE NOT UNITS

An examination of the table of areas which are not units of local government reveals several things. First, the areas described are different from those counties, towns, and other units. Usually they are divisions of the latter units, but in some cases they are combinations of them. Second, these supplementary areas do not have powers of government, nor do they have continuing governing bodies. They simply constitute an additional network of boundary lines, within which local activities are conducted.

We now turn to a different group of entities, namely boards of various types, which have continuing organizations and powers, but act mainly within and for some other unit and area of government. In certain cases they are even called "corporations" and have some definite corporate characteristics, but on closer analysis they all appear to be primarily branches or departments of some county, city, village, or other unit of government. They create no confusion of new boundary lines or areas, but represent instead the building up of additional governmental organization or machinery in existing areas and units. Of these boards the following are the most common.

A. SUPPLEMENTARY BOARDS IN COUNTIES

| TITLE | NUMBER AND ORGANIZATION | PURPOSE | STATUS AND POWERS |
|---|-------------------------|---|--|
| County child welfare boards | 78, with 5 to 7 members | To protect socially handicapped children | Perform such duties as are required by the State Board of Control. |
| County sanatorium boards | 4, with 3 members | To control spread of tuberculosis; to provide care for consumptives | Construct and maintain a sanatorium; control expenditures; appoint superintendent; fix charges for care of patients. |
| County library boards | 11, with 5 members | To provide library facilities | Appoint officers; adopt by-laws for the government of the library and reading room; control expenditures. |
| County board of poor commissioners (St. Louis County) | 3 members | To provide relief for the poor of the county | Establish and maintain a poorhouse; appoint and remove overseer of the poor; control expenditures. |
| County boards of health | 75, with 3 members | To safeguard health | Have jurisdiction over all organized territory within the county; have such other powers as are prescribed by the State Board of Health. |

SUPPLEMENTARY BOARDS IN COUNTIES — *Continued*

| TITLE | NUMBER AND ORGANIZATION | PURPOSE | STATUS AND POWERS |
|-------------------------------|--|-------------------------|---|
| County boards of equalization | 87, composed of the board of county commissioners together with the county auditor, his deputy, or clerk of the district court | To equalize assessments | Examine the returns from towns, villages, and cities; hear complaints; may increase or reduce valuations. |

B. SUPPLEMENTARY BOARDS IN CITIES, VILLAGES, AND TOWNS

| TITLE | NUMBER AND ORGANIZATION | PURPOSE | STATUS AND POWERS |
|----------------------------|---|--|--|
| Boards of health | 3 or more members * | To safeguard community health | Provide hospitals, regulate burial of the dead; define and abate nuisances; make investigations and reports. |
| Park boards | Approximately 150, with 3 to 5 members | To provide parks and parkways | Acquire land for park purposes. Supervise, manage, and control parks; appoint persons to care for parks. |
| Library boards | 125, usually with 9 members | To provide library facilities | Appoint officers; adopt by-laws for the government of the library and reading room; control expenditures. |
| Water and light boards | Approximately 120, with 3 or more members | To provide water and light facilities | Operate water and light plants; buy materials and supplies; employ help; fix water and lighting rates; perform such other duties as are prescribed by ordinance. |
| Hospital boards | 5 members | To provide hospital care for the sick and injured | Manage and operate a hospital; exercise such powers as are conferred by the council. |
| Duluth port district board | 3 members | To provide for regulation and improvement of navigation in the port district | Adopt by-laws, rules of procedure, and official seal; hold lease and operate real and personal property; employ engineers, legal, technical, and other assistance; borrow money; provide adequate docks, railroads, and terminal facilities; recommend to the proper departments of the United States government the carrying out of public improvements; investigate practices, rates, and conduct of privately owned and operated dock, terminal, and port facilities. |

* Section 5348 of the General Statutes provides that every city and town shall establish a board of health. The State Department of Health reports, however, that a number of places have not complied with this provision. More than five hundred villages have boards of health, although it is not mandatory for villages to organize such boards.

| TITLE | NUMBER AND ORGANIZATION | PURPOSE | STATUS AND POWERS |
|-------------------------------------|-------------------------|--|---|
| Civil service commissions | 2, with 3 members | To provide for examination and recruitment of city employees | List, grade, classify, and keep service records of all city employees; ascertain duties and designate grade and title of each position; examine applicants; certify for appointment; make rules and regulations for promoting efficiency of city service; adopt and amend rules to govern procedure; indicate lines of promotion; make suspensions. |
| Firemen's civil service commissions | 3, with 3 members | To provide for examination and recruitment of officers and employees of fire departments | Grade and classify employees; prepare service and application registers; ascertain duties and designate grade and title for each position; prescribe standards of fitness and efficiency for each office position and employment and for each grade; examine applicants; make rules to promote efficiency in fire department service; hold hearings; suspend or remove employees. |
| Police civil service commissions | 4, with 3 members | To provide for examination and recruitment of officers and employees of police departments | Grade and classify employees; prepare service and application registers; ascertain duties and designate grade and title for each position; prescribe standards of fitness and efficiency for each office, position, and employment and for each grade; examine applicants; make rules to promote efficiency in police department service; hold hearings; suspend or remove employees. |
| Sinking fund commissions | 3 members | To administer the sinking fund | Powers defined by council and charters. |
| City planning commissions | 3 or more members | To plan future development of city | Prepare and recommend public improvements plans; recommend zoning ordinances; approve and reject proposed improvements; make and alter rules for its own procedure. |
| Boards of equalization | Usually 3 members | To equalize assessments | Generally vested with all the powers of county boards of equalization; specifically may hold meetings for hearings or grievances; may revise and amend assessments; may reduce aggregate value of real or personal property. |

III. JOINT AUTHORITIES THAT ARE NOT UNITS

Finally, in our listing of areas and authorities, we must mention the joint authorities representing several counties, or a city and a county, or a city or county and the state, which have sprung up here and there. Among these the following are important.

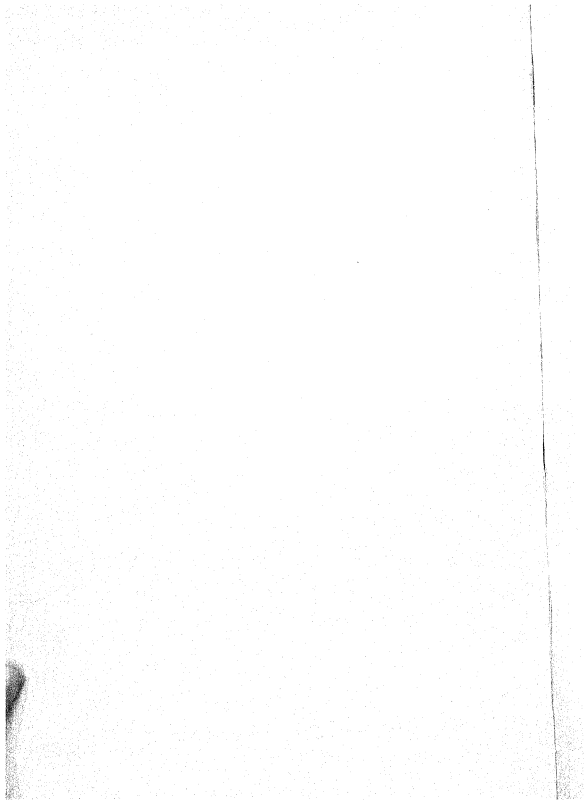
| TITLE | NUMBER AND ORGANIZATION | PURPOSE | STATUS AND POWERS |
|--|----------------------------|---|--|
| Tuberculosis sanatorium boards (counties) | 10, with 5 or more members | To control spread of tuberculosis; to provide care for consumptives | Establish and maintain a sanatorium; control expenditures; appoint superintendent; fix charges. |
| Poorhouse district boards (counties) | 5 or more members | To establish district poorhouse | "Shall be a body corporate with power to sue and be sued, and to purchase, hold, and convey real and personal property." |
| Municipal building commissions (city and county) | 4 members | To care for courthouse and city hall building | Assign unused portions of courthouse and city hall; control operation, construction, maintenance, and repair of the building; appoint and remove employees; prepare budget estimates. |
| Armory boards (city and state) | 3 members | To provide armory and storage facilities | Purchase, erect, or rent and furnish and keep in repair building used for national guard and municipal purposes. |
| Board of welfare (St. Paul and Ramsey) | 5 members | To provide relief for the poor of the county and city | Control and manage hospital and almshouse; make rules and regulations; make appointments; purchase supplies. |
| Minneapolis-St. Paul Sanitary District | 1, with 7 members | To provide an adequate and efficient sewage disposal system | Regulate and control the discharge of sewage and industrial wastes into the water course of the district; construct, operate, and maintain sewage treatment and disposal works and appurtenances; acquire lands within the corporate limits of the district. |

It is generally characteristic of these joint authorities that they do not have independent taxing power, although some of them come very close to it. When a board can practically make its own budget, and the local governments involved have no choice except to pay their share or drop out, the joint authority comes near to fixing its own tax levy.

SUMMARY

The reader who has carefully scanned the three appendixes and the tabular information which they contain will be impressed by the following points: 1. The system of local government in Minnesota is far more complicated than it appears at first sight. In addition to over ten thousand units of well-known and ordinary types, we must reckon with hundreds of subsidiary areas, districts, boards, and joint authorities. 2. Symmetry and simplicity, desirable as they may be in some respects, are lacking in a system which has grown up in this state for over eighty years without any general overhauling. 3. For better or for worse there is a great deal of "machinery" of local government. The average city or large village government is not the simple mayor-and-council organization which we would like to think it is. On the contrary it is usually a cluster of authorities, consisting of a mayor, a council, various elected officers, and one or more boards held together or pulling apart, often in a very confusing way. Even the lawyers and the judges of our courts often have great difficulty in unraveling the tangled skein of authorities. The "average citizen" may be pardoned for his frequent mystification.

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